NON-REMITTANCE OF SACCO DEDUCTIONS AND FINANCIAL PERFORMANCE OF MENTOR DEPOSIT TAKING SACCO IN MURANG`A COUNTY, KENYA

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ABSTRACT

The research assessed the effects of Non-remittance of SACCO deductions and financial performance of Mentor deposit taking SACCO in Murang`a County, Kenya. Savings and credit cooperatives are organizations created by members to pool resources for economic growth and offer her members manageable loans and reward them with dividends on their deposits. Since the loanable funds are members' contribution, the SACCO's operation may be impacted by the non-remittance of the monthly contributions. Determining the impact of non-withdrawal deposits, loan repayment, interest revenue, share capital, and the risk premium on the financial performance of the SACCOs was the study's specific goal. Institutional theory, credit risk theory, cash flow management theory and loan pricing theory support research variables since they show how each variable behaves. The study adopted the descriptive research design which was suitable in making a conclusion of the collected data of the three branches of Mentor SACCO, in Murang'a County. Systematic sampling design was used to create a sample size of 391 members and three branch credit officers where data collection was done using both open and enclosed questionnaires, and only 89% of questionnaires were completed and compiled for analysis, and a document review guide was used in collecting secondary data on financial performance from the audited financial statement provided by the SACCO chief executive officer. To test the validity, the Cronbach's Alpha test was carried out on 10% of the sample; the results showed 0.9 an indication that, the tools were excellent for data collection and Valid at a P<5% showing a significance level for the test of validity and Pearson correlation. The financial ratios, Pearson correlation, and correlation of coefficient were used to determine the performance and also the relationship between independent and dependent variables. Statistically, it was noted that non-remittance of loans had a negative impact on the financial performance shown by a 25% of loans were not remitted in time thus the SACCO did not attain efficiency ratio of 100% as required by SASRA, and in the last five years the SACCO had not attained a current ratio of 2:1 as recommended, and asset growth affected the liquidity of the SACCO. The study recommends that the SACCO finds a safer means of remittance, vetting employers, and CRB should be used to minimize default. The data was presented in tables and figures. Since the information provided would not be shared with a third party, the respondents were offered the assurance of anonymity and secrecy.

Key words: Non–Remittance of Sacco Deductions, Financial Performance and Deposit Taking SACCOs.

INTRODUCTION

Savings and Credit Cooperatives' primary role is to mobilize members' savings and offer credit that is reasonable, according to the International Cooperative Alliance (ICA, 1995) The largest in Africa and one of the fastest expanding subsectors is Kenya saving societies. SACCOs are well-liked since they provide loans at lower costs than other financial lenders; now, more than 10 million Kenyans belong to SACCOs. Additionally, they provide annual dividends and provide good interest rates on deposits and savings (WOCCU, 2013)

More than 500,000 people are employed directly by SACCOs, and another 2 million rely on them for their income (Bwana & Mwakujonga, 2013). SACCOs are similar to other organizations in that they seek to maximize wealth in order to provide members with accessible credit options and dividends on deposits. However, according to studies, SACCOs are unable to withstand operational losses that endanger their ability to continue operating, thus members must pick up the tab. (Olando et al., 2013)

Regular remittance guarantees availability of funds to cover short-term responsibilities including paying rent, refunds, office costs, salaries and earnings on a monthly basis, investments, and claim settlements. The everyday demand for withdrawals of deposits and loans can be met by DTs because of this. This helps SACCOs generate income in interest and fees, thus enough profits to pay out as dividends and reserve. (Karagu & Okibo, 2014 SACCOs have been able to lend by facilitating funds in important industries where banks have been hesitant to trade, such as agriculture, owing to their loan capital ratio, the value of their ordinary stock, social ties, and ties to the community (FSD, 2013). According to research, several nations with a thriving cooperatives sector have SACCOs that operate admirably and boost the economies of Africa. SACCOs owns 67% of the continent's assets and 62% of its deposits (SASRA, 2011).

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Financial of Performance

DT’s performance has improved over the years, with key performance parameters being assets, deposits, and gross loans growing at a recommendable rate. Any institution, regardless of its type, must perform quite well financially in order to survive which entails the use of assets for revenue generation. The total income for DTs grew by 6.16% from 2019 to 2020 and recorded a high liquidity growth of 48.50%, which was a drop but higher than the requirement. Good financial performance helps the institution to meet its obligations (SASRA, 2020)

By analyzing and evaluating each section of financial statements, particularly the income and balance sheet statements, accounting and other financial ratios used to analyze the financial performance of institutions. Profitability ratios can be used to gauge an organization's overall financial success. Profitability is a sign of good financial health and may be assessed by looking at two metrics: return on assets (ROA), or net profit divided by total assets, and return on equity (ROE), or net income after taxes divided by stockholders' equity. The mismatch between assets and liabilities and the firm's ability to turn equity into profits are both determined by the two ratios (Hermann, 2008)

The regulating body's financial performance can be evaluated using the standards provided. The minimum cash requirement of 15%, which all SACCOs shall maintain, and the external borrowing limit of 25% of total assets are two of the conditions laid forth by the SASRA, which oversees DTs. In order to protect SACCOs from potential operational losses, this is done. The current ratio, also known as the working capital ratio and denoted as current assets divided by current liabilities, is a gauge of a company's general financial health. Both the fast ratio and the networking ratio are liquidity ratios that assess the SACCO's capacity to fulfill its short-term obligations. The quick ratio is computed as current asset - inventory/current liability, and the networking ratio as current asset - current liabilities (SASRA 2016).

The study will use a profitability ratio which is operation efficiency ratio, asset growth a measurement of the assets bought with member deposits the ratio used is members' deposits/total asset ratio and liquidity which will be measured by current ratio, all these measures of saccos' financial performance indicators as stipulated by sasra thus making it easier to determine whether a SACCO is attracting sufficient deposits for investment. The outcomes will either be compared to other participants in the market or tested against the established criteria (Kagunda, 2018).

Non-Remittance of SACCO Deductions

Regular remittance guarantees that money is accessible to cover short-term responsibilities including paying rent, refunds, office costs, salaries and earnings on a monthly basis, investments, and claim settlements. The everyday demand for withdrawals of deposits and loans can be met by DTs because of this. This helps SACCOs generate income in interest and fees, thus enough profits to pay out as dividends and reserve. (Karagu & Okibo, 2014)

Malawi financial cooperatives are crippling with liquidity problems and especially those cooperatives whose membership base is drawn from civil servants due to non-remittance of payroll deductions by government departments (Analytics, 2014). The same effect of non-remittance of deductions was experienced in Botswana, Africa, where SACCOs could not grow accordingly due to liquidity issues, thus leading to loss of business (Polymed SACCO, 2017).

SASRA report (2019) showed that private and public sectors owed DTs $26.7 Million in unremitted deductions, of which 79% were loans and 21% were non-withdrawal deposits. This made some SACCOs struggle to meet prudential standards, that is, capital and liquidity requirements

SASRA (2020) indicated that there was a growth in DTs membership. Additionally, the quantity of inactive members was growing at an alarming rate from 676,052 members in 2018 to 1,372,575 dormant members' in 2020, this translates to a loss of business and revenue since for last 6months such members do not interact with their SACCOs (SASRA, 2020)

The variables included in the investigation were deposits that are not available for withdrawal, loan principle, interest income, risk contribution, and shares which are payroll deductions that is made on a monthly basis. From non-withdrawal deposits, loans are made. The principal borrowed is repaid through loan payments, and SACCOs' main income is from interest payments. Loan payback and interest rate was measured using non-performing loans. The majority of share capital is made up of shares (core capital). It draws a higher rate of dividend payments and generates interest in the form of dividends. The standard capital requirement imposed by SASRA, which is 10% of total assets, will be utilized as the benchmark. To protect SACCOs against loan losses and member deposits, each member must contribute to risk. The deposits of members are guaranteed in the event of bankruptcy. Comparing what is anticipated, what has already been paid out, and any outstanding insurance liabilities will serve as the measurement (Sangali, 2013).

Financial Performance of SACCOs in Kenya

SACCOs were established to improve people's quality of life by pooling resources for growth, particularly in the majority-rural areas live in poverty. However, due to the economy's rapid changes and intense competition from other financial institutions, SACCOs have transitioned from regional organizations with a focus on common economic activity to national organizations, with branches all over the country (SASRA,2017). The World Council of Credit Unions estimates that the Kenya's SACCO movement is the largest in Africa with more than five million members (2015).

Due to excessive investments in non-earning assets and management negligence, SACCOs are failing (Makori et al., 2013). Due to malfeasance, corruption, and poor management, several businesses have either shut down or are fighting to survive, such as Ekeza SACCO, which lost 1.2 billion (CAK, 2018). SACCOs suffer fierce competition and a limited capital basis, driving the members to seek financial services from other financial institutions, according to Auka and Mwangi (2013). Due to a lack of cash, members who have asked for loans must wait longer, which results in a loss of business opportunity and income

The non-remittance of member cash, according to SASRA (2017), harms both the SACCO societies and the financial well-being of members because SACCOs are compelled to borrow money from outside sources, which is costly and subject to interest rate fluctuations. Additionally, members' borrowing ability is constrained to their savings, which is adversely impacted by non-remittance, making it impossible for them to access the necessary cash in the form of loans for development. In the event that non-remittance exceeds the established restrictions, members risk deregistration by the SACCOs

Mentor SACCO in Murang`a County

The top financial institutions, including banks, microfinance, and DTs, are located in Murang'a County (Maina, 2018). According to financial results for 2018, Unitas, Mentor, and Amica were rated 10, 18, and 34, respectively, and their deposits increased by 7.62%, 16.32%, and 15.2%. (SASRA, 2019).Mentor SACCO society, initially known as Murang`a teachers SACCO limited, started in 1977 as a teachers SACCO. In 2011 it was licensed by SASRA and rebranded in 2013 due to financial evolution where they wanted to serve all people. They opened doors to members from civil servants, local authorities, NGOs, private companies, approved entrepreneurs, National and County government, groups and Chamas, and other institutions (Mbogo et al., 2020)

Mentor SACCO was started by salaried members who relied on their salaries for SACCO contributions. Given that most members are employed, no remittance is on the rise. The study will investigate how that has affected the financial performance of the DTs and SACCOs. Like any other region in Kenya, Muranga County has disobedient employers whose workers belong to this SACCO. Now that non-remittance is a problem that affects all SACCOs, there is a need to study how it affects the financial performance of these SACCOs in order to add knowledge to existing studies (SASRA, 2019)

Statement of the Problem

Loans form the bulk of the SACCOs' assets and the largest income source through interest rate charges. For SACCOs to meet their obligation there must be a steady rate of savings, loan borrowing, repayment, risk premium contribution, and growth in share capital by attracting new members and encouraging the old members to grow their share capital. Non- remittance of SACCO deductions makes SACCOs face a low capital base, thus not meeting the needs of its members (Auka & Mwangi, 2013)

DT-SACCOs reduced from 174 SACCOs in 2018 to 172 in 2019 because some of the SACCOs could not meet the requirements set by the regulator and acquire other necessary licenses. SASRA also noted growth in dormant members by 13.08% in 2019, leading to business loss (SASRA, 2020). Because the majority of employers, including county governments, parastatals, and government institutions, have not been sending SACCO deductions on time and in full, which make up the majority of the SACCO's regular cash inflows, non-performing loans have increased from 9.84% in 2016 to 15.91% in 2017. (SASRA, 2016)

Munyiri (2006) claims that because to a lack of resources, issues like member remittance delays make it difficult for SACCO to expand its wealth and accomplish its goals. According to SASRA (2017), non-remittance and delayed remittance caused a jump in non-performing loans from 9.84% to 15.91% in 2017. Employer deductions that haven't been reported have increased, according to SASRA (2019), to almost KSH 2.8 billion. Kigiri asserts that the 2007 non-remittance has a negative impact on SACCO growth because of subpar loan repayment and insufficient savings for lending. The majority of studies have focused on one or two aspects of

payroll deduction, but the current study will look at how all aspects of deductions affect SACCOs' financial performance

Objectives

To determine the effect of non- withdrawal deposits on the financial performance of the deposit-taking SACCOs in Murang`a county, Kenya

LITERATURE REVIEW

Theoretical Review

These are theories and models that researchers have produced to explain occurrences and circumstances in support of this research include:

Free Cash Flow Management Theory;

When there is free cash flow, managers can decide whether to pay out dividends or returns to shareholders or invest the excess funds in productive ventures as cash flow serves as the foundation for stock valuation, asset purchases and investments aid in luring investors. SACCOs are encouraged to mobilize members' and non-withdrawal depositors' savings to develop their share capital and interest income in order to provide free cash flow and make sure there are funds available for SACCO to invest in profitable initiatives.

Credit Risk Theory

Defined as a structural model, the loss bone through default is known and specifically this can happen in the entire life of the corporate bond (Longstaff &Schwartz, 1995). The theory helps the SACCOs know the specific losses, thus insuring loans, non-withdrawal deposits, and deposits. This is done by members' contributing monthly risk premiums, which is compulsory. Also, this improves confidence and encourages members to save more since they will not lose their investment in any eventuality.

Loan pricing Theory

Stiglitz popularized the theory in 1981. It states that financial institutions should take into account the issue of moral hazard and adverse selection since it is difficult to determine the sort of borrower at the business interaction stage. It explains why financial cooperatives should set reasonable interest rates to maximize profits on loan sales. He cautioned SACCOs to avoid high-interest rates to avoid attracting risky borrowers who invest in risky projects leading to default. (Chodechai, 2004)

Institutional Theory

Meyer and Rowan popularized the theory in 1977, and Tolbert and Zucker backed it up in 1996. Theorists claim that institutional environments can have a significant impact on the creation of

formal organizational structures, frequently more so than market forces. The environment legitimizes innovative structures to increase efficiency, and reluctance to accept them is viewed as unreasonable and careless. The theory supports the financial performance of DTs, which SASRA regulates. The body may change the regulations affecting the SACCOs' financial performance, such as capital and cash requirements. Failure to meet the requirements means exiting the technical environment.

Empirical Review

Nyandika et al. (2016) argued that incentives such as large dividend pay, bonuses, and prudential laws promote members to save more in a study on the effect of specific economic factors on the financial performance of SACCOs in Kenya. These rewards make sure deposits are used wisely for their advantage. They also mentioned the necessity for SACCO to mobilize savings for growth. The topic of risk mitigation as a performance indicator was not included in the study. The current study has merged the risk contribution and shares to address the issue of operational losses and other losses experienced during business operations.

The amount of money made accessible for loans to non-deposit taking SACCOs (NON-DTs has a direct positive impact on the financial performance of the SACCOs, according to Wanyonyi et al. (2019) in their research on the relationship between loanable funds and directors' abilities on the financial performance of NON-DTs. There is a favorable association between the number of SACCO members and the level of contribution, which determines the loanable funds levels, and the financial performance of SACCOs. Other variables that affect the amount of money that is available for lending will has been included in the current study is interest rate income, which provide income for the SACCO.

Loan demand is the most important factor affecting SACCOs' financial performance, according to Mbutu (2010)'s study of the factors that determine performance. Members of SACCOs borrow more than they deposit, hence loans have an effect on the financial health of SACCOs. The risk premium to protect against loan losses, the interest rate paid, and the loan repayment rate to guarantee the flow of funds to SACCO were not included in the study.

In his investigation on how nonperforming loans affect SACCOs' financial performance in Nairobi County, Kenya, Manyuanda (2013) discovered that a rise in NPLs results in a decline in asset quality. SACCOs were hence heavily leveraged. He stated that the profitability of SACCOs is influenced by leverage, NPLs, and scale. Secondary data from journals, books, and other sources were utilized in the study. The primary data, which analyzes the current state of the independent variable, was not used by the author. Primary data will be used in the proposed study to assess the independent variable's current position, and secondary data will be used to analyze the dependent variable's performance using previous data

According to a review of the financial performance of a few selected SACCOs in Botswana by (Sathyamoorthi et al. 2016), the interest rates levied on loans to members are the main source of income for SACCOs. This suggests that cooperatives with high profit ratios are efficient in their operations, charge high interest rates, and pay minimal interest on savings. There was no conclusion for the current situation based on primary data because the study employed historical secondary data. The proposed study will assess the current financial status of SACCOs using both secondary and primary data

Amina (2016) discovered that core capital can have a negative impact on a SACCO's financial performance and, if left uncontrolled can result in insolvency in her study on the implications of

core capital on the financial performance of DT-SACCOs in Nairobi County. The proposed research design will be adopted, whereas the researcher used a descriptive correlation survey.

Mwaniki et al. (2018) employed a descriptive research approach and correlation analysis to examine how financial structure affects the financial performance of DTs in Kenya. They discovered that equity financing significantly and favorably affects the financial performance of SACCOs. This implies that higher equity funding results in higher financial success. The suggested study's risk management strategies were not included in the research. There is also the danger component

Conceptual Framework

Independent variable

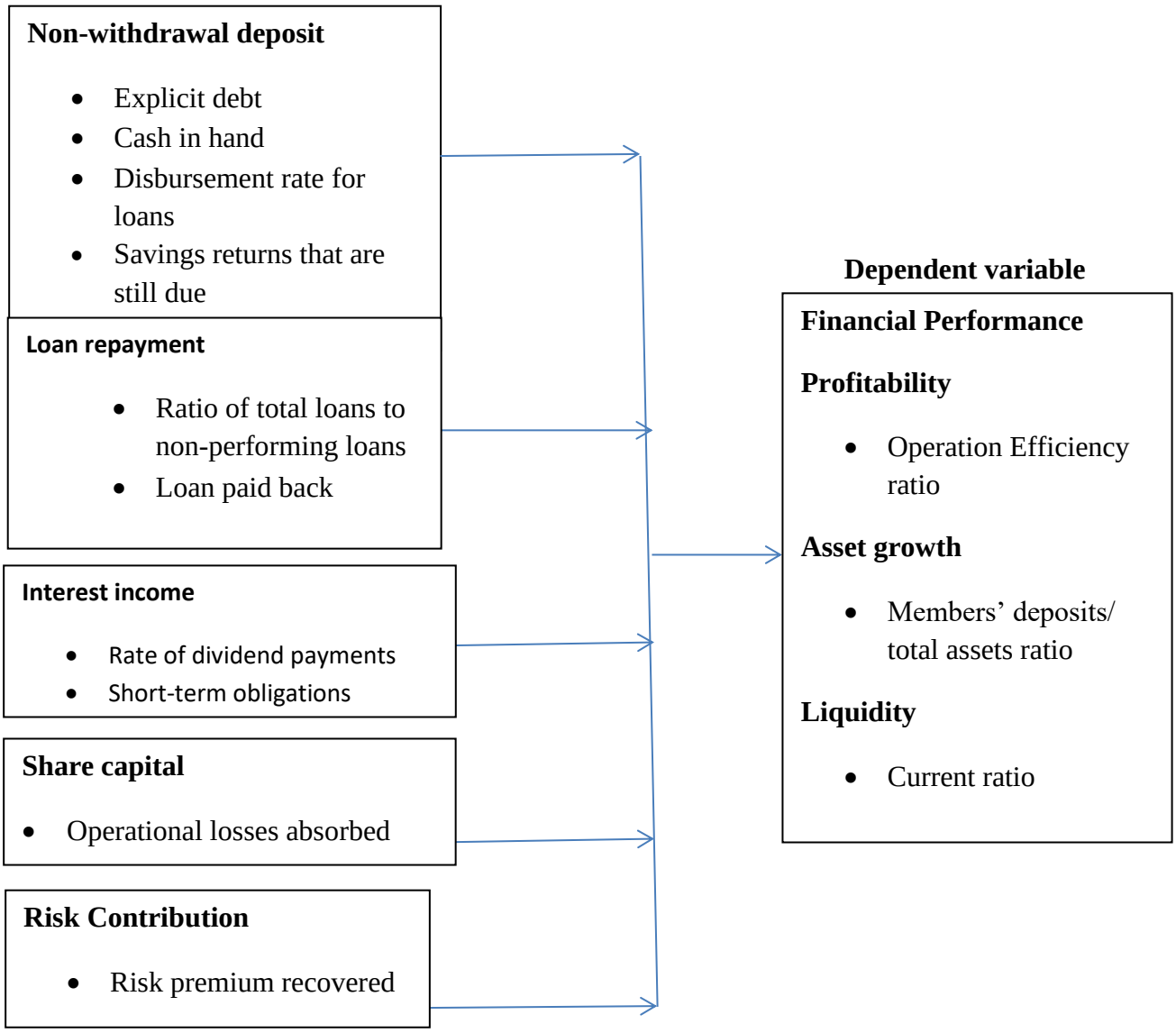

Figure 2.1 Conceptual Framework
Source: Researcher (2022)

METHODOLOGY

The descriptive study design was appropriate since the study sought the current situation of Metor Sacco Ltd. The targeted population was Mentor SACCO in Murang`a County, which has three branches across the county and 18000 members. The respondents were members of the Mentor SACCO arriving for services in the branches and branch credit officers. Systematic sampling was utilized to establish a sample size as it enables the researcher to collect and choose the population at intervals. The population size is 18,000 members of Mentor SACCO in Murang`a County (Mbogo et al.., 2020). Using Slovin's Formula, only 391 respondents were chosen for the study.

S= T/(1+T(a)^2)

For the study's data collection, both open-ended and closed-ended questionnaires were used. The tool was made to provide respondents the freedom to express themselves in writing as honestly as possible using a document review guide, secondary data from SACCO financial statements was gathered and for timely data collection (Kipkorir et al., 2016)

Table 3.1 Correlational significance test for validity

		Profitability	Non-withdrawal deposits	Loan principal	Share capital	Risk premium	Total assets
Pearson Correlation	Profitability	1.000	.741	.829	.607	.363	.776
	Non-withdrawal deposits	.741	1.000	.884	.977	.646	.918
	Loan principal	.829	.884	1.000	.832	.492	.991
	Share capital	.607	.977	.832	1.000	.622	.880
	Risk premium	.363	.646	.492	.622	1.000	.556
	Total assets	.776	.918	.991	.880	.556	1.000
Sig. (1-tailed)	Profitability	.	.011	.003	.042	.169	.007
	Non-withdrawal deposits	.011	.	.001	.000	.030	.000
	Loan principal	.003	.001	.	.003	.089	.000
	Share capital	.042	.000	.003	.	.037	.001
	Risk premium	.169	.030	.089	.037	.	.060
	Total assets	.007	.000	.000	.001	.060	.

Source: Researcher (2022)

The correlation was utilized to establish the connection between the information gathered by the tools and test the validity. To make sure the questions were comprehended clearly, 10% of the total sample was completed in just one SACCO branch that accepts deposits (Buyukozturk, 2017). The validity of the primary data is crucial in determining if the secondary data is accurate and trustworthy. The author was verified to accomplish this (Platt, 1981).

Reliability of Data Collection Instruments

Reliability is determined by how well an instrument can produce the same results after being tested and retested (Liu, 2010). Cronbach's Alpha was used to test the reliability of the data collection instruments, whereby the scores obtained were analyzed with the help of SPSS version 25. The relationship was examined, and results of more or equal to >0.8 show an excellent internal consistency, which means the instruments were reliable (Erden, 1998)

Table 3.2 Cronbach's Alpha test for reliability

Cronbach's Alpha	N of Items
.897	13

Source: Researcher (2022)

Where, > .9 (Excellent), > .8 (Good), > .7 (Acceptable), > .6 (Questionable), > .5(Poor), and < .5 (Unacceptable)

Data Analysis and Presentation

In order to examine the association between a number of independent variables and a dependent variable, the study used a linear regression analytic model using ANOVA, SPSS, and STATA 17 software. Financial ratios, such as the operating efficiency ratio, the members' deposits/total assets ratio, and the current ratio, will be used to evaluate the performance (Song'e, 2015)

Y= b0+bn+bl+bi+bs+br+e

Where Y= financial performance of SACCOs, b0- Regression co-efficient, bn- Non- withdrawal deposits, bl- Loan principal amount, bi - Interest income, bi - Interest income, bs – Shares capital, br - Risk contribution and e- Error term

RESEARCH FINDINGS AND DISCUSSION

Demographic characteristics

The research respondents were members and branch operation managers of the Mentor SACCO ltd in Murang`a County. Three hundred ninety-one questionnaires were administered, of which just about 360 were collected. Data was then compiled from 353 questionnaires dually filled, representing a response rate of 90.28%, which was a sufficient response rate to conclude. According to Mugenda and Mugenda (2009), the sufficient response rate is 75% and above.

To assess the socioeconomic profile of SACCOs participants, all the respondents were clustered into their sex. The researcher engaged a trained research assistant who conducted in-person interviews with randomly sampled respondents

Results on education level showed that most respondents had a Degree (69.6%), followed by those with a diploma (22.0%), and all the respondents had a certificate level of education. This implies that most respondents could easily interact with the information on loan repayment and transactional charges

The results on years of membership showed that most respondents (56.29%) had been members of the SACCO for over ten years. About 18.57% of the employees had been in the SACCO for less than five years. This implies that most respondents have been in the industry for considerably longer to understand SACCO's performance history

The results on benefits of saccos' showed that most members (47.69%) joined the SACCO to enhance their investment plan, 35.55% joined the SACCO and have profited from their savings plan, and only 2.02% of the members have benefited from the SACCO for paying bills. This implies that most people join SACCOs for either investment or as a savings plan

Descriptive Statistics

Most respondents (85.29%) agreed that their employers had timely remittance of their deductions to the SACCO. According to Kimatu (2018), critical causes of default include lending costs, inadequate loan recovery, insider lending, and employer irresponsibility in failing to return SACCO deductions. As a result, SACCOs struggle to pay their financial responsibilities. The result shows that there is 85.29 percent likelihood that employers of SACCO members of the SACCO will do timely remittance of their deductions. Such conditions translate to the sound financial performance

The study realized that member contributes a minimum savings of KSH.2000 per month. All the 338 respondents who answered this question on the minimum saving stated that the minimum saving to their SACCO is KSH. 2000 with Std. Dev.=0 and there were no limits on the maximum saving.

On the issue of whether they had active loan the study showed that most of the respondents (57.14%) did not have the loan they were serving at the time of the interview. 150 out of 350 (42.86%) of the respondents had a loan that they were serving. This was fairly distributed among respondents in terms of the pending loans. It captured the experience of those currently serving loans and those who had or had never served loans. Results agreed with the mentor SACCO report of 2021, where 47% of members had a loan. This indicates approximately half of the members had loans and called upon members to take advantage of their tailor made products.
The on the issue of interest rate the indicated that the SACCO's mean interest rate on members' loans is 12.932 (SD=2.961). The highest interest rate was at 18.

Growth in Membership

Years	Membership	Growth (other groups, Chama)	Total Membership	Percent
2017	15,254	1,112	16,366	17
2018	17,132	1,924	19,056	14
2019	19,222	2,847	22,069	13
2020	20,935	3,421	24,356	9
2021	23,993	4,039	28,032	13

Source: Research Data (2022)

According to table 4.22, it's clear that the SACCO has been growing tremendously, with the highest growth being recorded in 2021 of above four thousand members. This ensures steady growth of share capital

Performance of SACCO in Terms of Profitability

Gross Loan to Members Deposits

Years	Ratio in percent
2021	92.70%
2020	97.10%
2019	104.50%
2018	113.80%
2017	98.80%

Source: Research Data (2022)

Results indicate that the study's SACCO has not been constituent in its performance. In the years under study, it attained 100% recommended level twice out of five years. This may have been affected by the level of non-remittance, or the members are not taking up loans, which is SACCOs' income source.

Table 4.28 Profitability Correlation

		Profitability	Non-withdrawal deposits	loan principal	Share capital	risk premium	total assets
Pearson Correlation	Profitability	1.000	.741	.829	.607	.363	.776
	Non-withdrawal deposits	.741	1.000	.884	.977	.646	.918
	loan principal	.829	.884	1.000	.832	.492	.991
	Share capital	.607	.977	.832	1.000	.622	.880
	risk premium	.363	.646	.492	.622	1.000	.556
	total assets	.776	.918	.991	.880	.556	1.000

Source: Research data (2022)

Table 4.28 shows the correlation analysis between profitability which is a representative of the performance of commercial banks in Kenya and the predictor variables. From the table non withdrawal deposits, loan principles, and share capital have a correlation coefficient also 0.741, 0.829 and 0.607 According to Pearson correlation coefficient, when the values are closer to 1 relative to 0 then the correlation between the predictor variables and the dependent variables is Said to be strongly positive. Also shows that risk premium has a correlation of 0.363 with portability. Unlike the other variables, risk premium has a week positive correlation with profitability. Therefore, any predictor variable rising in value would result to a proportional increase in the profitability of commercial banks in Kenya.

Performance of SACCO in Terms of liquidity

Liquidity is a measure of the firm's capability to meet its obligation. The study settled on the current ratio as a measure where a ratio of = or above 1:0 is recommended.

Table 4.27 Current Ratio

Years of study	Current ratio	Interpretation
2021	1.077464	**1:08**
2020	1.176908	**1:18**
2019	1.069033	**1:07**
2018	1.113293	**1:11**
2017	1.200678	**1:2**

Source: Research Data (2022)

Table 4.27 presents that the SACCO did not meet the recommended 2:1 (Ngui, 2018), and this is a sign that the SACCO may experience liquidity problems, but according to the data results, only 42% of members had loans meaning the members were savings more than borrowing

Liquidity Correlation

		Liquidity	Non-withdrawal deposits	loan principal	Share capital	risk premium	total assets
Pearson Correlation	Liquidity	1.000	.282	.672	.224	.103	.632
	Non-withdrawal deposits	.282	1.000	.884	.977	.646	.918
	loan principal	.672	.884	1.000	.832	.492	.991
	Share capital	.224	.977	.832	1.000	.622	.880
	risk premium	.103	.646	.492	.622	1.000	.556
	Total assets	.632	.918	.991	.880	.556	1.000

Source: Research Data (2022)

Table 4.30 shows the correlation between the predictor variables and liquidity. From the table non withdrawal deposit, check capital, and risk premium have correlation of 0.282, 0.224, and 0.103 respectively. According to Pearson correlation coefficient, these values are closer to 0 than 1 thus making them have a weak positive correlation with liquidity creation. On the other hand, loan principal has a correlation coefficient of 0.672 which is an indication of a strong positive correlation with liquidity creation this confirms the linear regression assumption that there's no multicollinearity between independent variables.

Performance of SACCO in Terms of Asset Growth

One of the most crucial metrics for gauging the effectiveness of any business organization is growth in total assets, which is why the authors used it to evaluate the SACCOS in the research area. Mpiira et al. (2013) claim that it is possible to identify changes in the balance sheet structure that could have a favorable or negative influence on earnings by comparing growth in total assets to other important areas.

Total Members' Deposits to Total Asset Ratio

Years	Ratio in percent
2021	0.760025
2020	0.766613
2019	0.752201
2018	0.71679
2017	0.69371

Source: Research Data (2022)

The research results showed that SACCO shows a general growth trend of rate of growth. In 2018, there was a growth of assets to 71.67% from the previous year, while in 2017, the growth rate was 69.37%. This growth rate increased to 75.22% in 2019. Asset growth in the last year of the study was 76%, indicating an overall increase in the rate of asset growth for the SACCO under review. Table 4.23's findings demonstrate that the SACCO under examination performed well in terms of asset growth because they reveal that asset growth was generally on the rise

Asset Growth Correlation

		Asset growth	Non-withdrawal deposits	loan principal	Share capital	risk premium	Profitability
Pearson Correlation	Asset growth	1.000	-.335	-.690	-.296	-.100	-.457
	Non-withdrawal deposits	-.335	1.000	.884	.977	.646	.741
	loan principal	-.690	.884	1.000	.832	.492	.829
	Share capital	-.296	.977	.832	1.000	.622	.607
	risk premium	-.100	.646	.492	.622	1.000	.363
	Profitability	-.457	.741	.829	.607	.363	1.000

Source: Research data (2022)

Table 4.29 shows the correlation between the predictor variables and asset growth. From the table non withdrawal deposits, Loan principal, share capital, and risk premium are negatively correlated to asset growth. This means that an increase in any of the predictor variables would result to a corresponding decrease in asset growth.

Regression Analysis

Regression Model Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.642	.526		1.221	.309	-1.031	2.316
	non-withdrawal deposits	8.127E-011	.000	1.032	.435	.693	.000	.000
	loan principal	-1.394E-010	.000	-2.080	-3.462	.041	.000	.000
	interest income	6.841E-010	.000	.397	.570	.609	.000	.000
	Share capital	2.013E-010	.000	.284	.155	.887	.000	.000
	risk premium	-5.589E-010	.000	-.103	-.098	.928	.000	.000

Source: Research data (2022)

All factors held constant; the members' deposit constituted 64.2% of the total value of assets held by the SACCO. However, considering only the total value of non-withdrawal deposits, a unit increase results in an 8.127E-011 increase in the deposit asset ratio. On the other hand, the loan principal and risk premium were inversely related to the deposit asset ratio. All other factors taken to be the same, a unit increase in the value of the loan deposits diminishes the deposit asset ratio by 1.394E-010 and 5.589E-010, respectively. In contrast, interest income and share capital were found to be directly related to the performance of the SACCO (deposit asset ratio). A 1% increase in the interest income received increased the deposit asset ratio by 6.841E-010. Similarly, a percentage increase in the share capital and risk premium improved the performance of the SACCO by 2.013E-010

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.984[a]	.968	.916	20088348.6824371	.968	18.349	5	3	.019

Source: Research data (2022)

The regression model summary for this relation, as shown in Table 4.35 above, indicates that up to 98.4% of the changes in the profitability of the SACCO can be attributed to Non-withdrawal deposits, loan principal, and share capital, risk premium, and total assets changes. Considering

the effect of changes in the degrees of freedom, this scale of influence diminishes to just about 91.6%, as evidenced by the adjusted R squared statistic (0.916).

ANOVA Analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3702220120 3861512.000	5	74044402407 72302.000	18.349	.019[b]
	Residual	1210625258 361515.500	3	40354175278 7171.800		
	Total	3823282646 2223024.000	8			

Source: Research data (2022)

The ANOVA results tabulated above confirm that this regression model's findings are statistically significant. At 95% level of confidence, the f statistic is; F (5,3) =18.349, p<0.05. This inference is made because the p-value is less than the 5% level of significance

Findings

The research analyses the impact of non-withdrawal deposits on the financial performance of the deposit-taking SACCO by observing its association with the performance measures in liquidity, asset growth, and profitability. First, table 4.29 shows the correlation between profitability and non-withdrawal deposits. The value obtained from the table indicates that non-withdrawal has a correlation of 0.741 with the profitability of deposit-taking SACCO in Murang`a county. According to Pearson's correlation coefficient, when the value is positive and closer to 1 than it is to zero, then it means that the two variables have a strong positive correlation. Therefore, when non-withdrawal deposits accumulate as collateral against loans increases, a proportional bump in SACCO's profitability is observed. The finding of the correlation analysis is in line with the accounts of Masika and Simiyu (2019). They detail that firm size and leverage significantly affect the financial performance of SACCO. Thus, SACCO opting to expand its customer base, net assets, deposits, liabilities, and market share are more likely to increase its profitability compared to those that do not. Based on these accounts, non-withdrawal deposits such as loan distribution rates, cash availability, and external debt can be used to determine and fortify a SACCO's profitability level. As such, it can be used to mitigate the potential negative impacts of non-remittance of SACCO deductions by employers.

Correlation between loan repayment and the financial performance of SACCO (profitability), with outcomes showing a strong positive correlation This means that an increase in the level of loan repayment triggers a proportional increase in the profitability of SACCO. At the same time, a decrease in loan repayment triggers a proportional decrease in the profitability of SACCO. Therefore, when non-remittance of repayment of loans occurs, it decreases the prevalence of loan repayment, resulting in a decline in the profitability of SACCO. Table 4.31 shows a correlation

analysis conducted on loan repayment and the liquidity of SACCO assets. The outcome showed a strong positive correlation which indicated that an increase in loan repayment resulted in a corresponding increase in the liquidity of SACCO's assets and vice versa. When employers fail to remit loans deductions within the stipulated timeframe, the liquidity of SACCO's assets declines significantly. Thereof are, in both instances, NPL has a negative implication on the financial performance of SACCO. A similar sentiment is shared by Manyuanda (2013) in his study on the effects of nonperforming loans on the financial performance of SACCO in Nairobi County. The author found that an increase in the NPLs led to a decrease in the financial performance of SACCO in the county by decreasing the quality of the SACCO and the rate with which they got leveraged

Shows a strong positive correlation between share capital and the profitability of a SACCO, This finding means that when share capital increases, a corresponding increase is experienced in the profitability of SACCO. A similar outcome was found in the correlation analysis of share capital with the liquidity of assets in figure 4.31. However, the findings indicated that share capital had a weak positive correlation with liquidity which means that although an increase in share capital increases liquidity, the increase can be weak and unreliable. Nevertheless, both findings show the importance of share capital in the performance of a SACCO and the impact of non-remittance of shares. For instance, in research to determine the effects of ore capital on the financial performance of DT-SACCO in Nairobi County, Amina (2016) agrees that more capital plays an important role in the performance of a SACCO and results in dire consequences if it is not constantly checked to ensure that they do not go below the core capital limit stipulated by Federal Home Loan Bank (FHLB) regulations. This point of view is shared by Mwaniki et al. (2018), who describe the importance of equity financing in ensuring that a SACCO's financial performance is increased. According to Mwaniki et al. (2018), an increase in equity financing leads to an increase in financial performance

Show that risk premium has a weak positive correlation with profitability and liquidity, respectively. This means that when there is an increase in the risk premium, the financial performance of SACCO increases slightly. Therefore, when SACCO fails to protect members' deposits and loans issued against risk, it opens the members' deposits and loans to the consequences of credit risk. According to Chege (2016), insuring against risks can be a safe way to ensure that the members do not lose their deposits through default or death. For instance, SACCO insures loans against death. This reduces loan losses due to death since no collateral is attached, or the guarantor can be held responsible for paying the loan, among other credit risk mitigations (Chege, 2016). The same sentiment is shared by Hopkins (2010), who noted that SACCO should beware of imminent risks through insurance covers that are loss of cash, credit risk, life cover, fidelity guarantee, and personal accidents. According to Hopkins (2010), this move instils a sense of confidence in members who will be motivated to increase their deposits which will, in turn, increase the share capital of SACCO, thus boosting its financial performance of SACCO. On the same note, Magiri (2014) emphasized that businesses must protect themselves against risks, which is done by purchasing insurance coverage. Doing so cushions SACCO against financial risks like loan and deposit losses, among other losses.

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Effects of the predictor variables on dependent variable

Changes in the profitability of the SACCO can be attributed to non-withdrawal deposits, loan principal, share capital, risk premium, and total assets changes. Similar to asset growth, the predator variables are great contributors to the financial performance of DT-SACCO. Moreover, the outcome of the ANOVA in table 4.37 shows that the model is significant at a 0.05 level of significance. Therefore, we reject the null hypothesis that non-remittance of non-withdrawal deposits, loan principal, interest income, share capital, and the risk premium do not affect the profitability of the SACCO. In research on the effect of working capital financing policies on the profitability of SACCOs, Ireri (2010) noted that working capital management is important because of its influence on their profitability, value, and risk. Therefore, ensuring that the profitability and value of SACCOs are shielded and the risks managed, Ireri (2010) outlines that SACCOs employ techniques such as working capital hedging policies. The technique helps increase sales, thereby reducing working capital investments.

Regression summary of the association between asset growth and the independent variables (the non-withdrawal deposits, loan principal, interest income, share capital, and the risk premium).The R-squared obtained from the summary indicated that 85.9% of the changes in the Deposit Asset Ratio (dependent variable) could be attributed to the effects of the non-withdrawal deposits, loan principal, interest income, and share capital, and the risk premium. The percentage of influence is high, meaning an increase or decrease in the Deposit Asset Ratio is determined by SACCO adhering to the rules set regarding non-withdrawal deposits, loan principal, interest income, share capital, and the risk premium. Therefore, the non-remittance of these factors has negative and significant implications on the deposit asset ratio. Furthermore, the data from the ANOVA analysis in table 4.24 show that the relationship between the deposit asset ratio and the independent variables is statistically significant. Therefore, we reject the null hypothesis that non-remittance of non-withdrawal deposits, loan principal, interest income, share capital, and the risk

premium do not affect asset growth. This outcome is in line with most literature accounts presented by other researchers in the literature review section. For instance, Njenga and Jagongo (2019) offer a background on the association between financial management decisions and the financial performance of SACCO. According to Njenga and Jagongo (2019), management choices regarding the capital structure, working capital, and investments are crucial in influencing and determining the financial performance of SACCO. Similarly, Kahuthu et al. (2015) outline the importance of factors such as interest income and core capital in improving the performance of SACCO. The findings of our research directly mirror the outcome of Kahuthu et al. (2015), according to whom R-squared and ANOVA showed that core capital greatly influenced the financial performance of SACCO and the model to be significant, respectively.

The multiple regression analysis conducted on the association between liquidity and the predictor variables. Based on the r-squared obtained from the summary, 96.2% of the changes in the level of liquidity of the firm can be explained by non-withdrawal deposits, loan principal, share capital, risk premium, and total assets. At the same time, the f-tabulated obtained from the analysis of variance indicates that the model is suitable for the research and ideal for obtaining valid results. Furthermore, given that the p-value of the ANOVA in table 4.40 falls short of the level of significance used (5%), the model is considered statistically significant. Therefore, we can reject the null hypothesis that non-remittance of non-withdrawal deposits, loan principal, interest income, share capital, and the risk premium do not affect the liquidity of SACCO's assets. Maina and Jagongo (2022) show that capital structure positively impacts SACCO's financial performance. A similar notion is shared by Ngui and Jagongo (2017) that capital adequacy impacted the financial performance of SACCO. Therefore, like Kahuthu et al. (2015), Ngui and Jagongo's (2017) findings further stress the importance of core capital by stating that core capital has a positive impact on the financial performance of DT-SACCO in Kenya. The author presents the core capital of Kenyan SACCO in 2012 to have increased from KSH 23.8 to 54.9 million in the same year. This increase in core capital triggered a subsequent increase in the turnover from KSH 154 million to 288 million. This finding is in line with the research findings, which show that an increase in the predictor variables plays an important role in SACCO's profitability, liquidity, and asset growth.

SUMMARY, CONCLUSION AND RECOMMENDATION

Summary of the Study

The research's main purpose was to determine the effects of non-remittance of SACCO deductions and the financial performance of DTs. The research used a descriptive research design to conclude collected and analyzed financial performance using financial ratios recommended by SASRA.

The findings indicate that most members have been in SACCO for over twenty years. This means that they understood the operations of the SACCO; in addition, the respondents had a tertiary level of education, thus understanding the SACCO's performance. The main reasons for joining the SACCO were investment and saving to secure their future financial needs. The current study shows that the majority of the members remitted their SACCO through check off and few

preferred direct debits, and most of the employers were remitting SACCO dues on time, thus enabling the SACCO to issue loans promptly, refund exiting members in time, and operate front office effectively without putting limits on the amount to transact without seeking financial aids from external sources

SACCO preferred check-off followed by direct debit regarding SACCO due remitting since it is considered safe. The research indicated that the majority of employers were remitting that is more than the third quarter of SACCO dues was being remitted before the fifth day of the following month; thus, the remaining portion had no significant effects on the daily operation of the SACCO. The most affected sector in terms of non-remittance to this SACCO is the private sector, followed by county governments. Also, it was noted that there were blacklisted members due to non-remittance by the employee. The findings agreed with a study by Olando et al. (2013).
The study showed that less than half of the SACCO members were serving loans, with most loan holders servicing long-term loans of over four years. This will ensure a steady inflow of income; thus, the SACCO operations will be sustained. The mean interest rate is slightly above twelve percent, thus making SACCO loans affordable

The current study indicated that members were contributing thirty thousand Kenyan shillings, which is above the most shares of the well-performing SACCO, which has a share capital of twenty thousand Kenyan shillings, and it's a continuous contribution. In addition, the SACCO membership had grown tremendously after five years of study. The membership had grown by 41%, thus ensuring steady cash inflow for daily operations and huge investments
The research indicated no pending insurance-related claims, and the mean amount contributed was adequate to cover all loans. But from the secondary data collected, it is indicated that the risk contribution had been raised from hundred Kenyan shillings to two hundred Kenyan shillings due to insurance claims being more than the premium collected, thus improving financial performance.

The study results indicated that an increase in non-withdrawal deposits positively correlated is translated to asset and loan principal growth. The risk premium negatively correlates with financial performance in terms of liquidity, and interest income and share capital are positively correlated since a unit increase in interest income and share capital directly affects the firm's efficiency.

Conclusion

As indicated by the study that SACCO dues are remitted in the right, this has a positive effect on the financial performance of the SACCO, which has grown its asset from 69% to 76% over five years, and a small portion of non-remittance of 5% and below has no significant impact on the financial performance of the SACCO since the SACCO was running its activities as it should

In terms of loan repayment, only a quarter of the employed respondents stated that their employers were not remitting their loan reduction in time and the effects on the financial performance of the SACCO were insignificant. This contradicts the fact that the SACCO didn't meet the requirement

of 100% by SASRA on members' deposit to asset ratio for the last two consecutive years of study, and the SACCO meet only twice over the five years. This shows that the non-remittance of 25% of the loan principal had a negative impact on the financial performance, but other factors may not have felt it.

The SACCOs management should develop safer ways of remittance or embrace a more convenient mode of remittance to eliminate the issue of non-remittance. Direct debit is a safer mode than a check-off since the salaried members will channel their salaries to SACCO accounts, where the deductions will be effected immediately.

Limitation and Areas for Further Research

Given the current research was carried out on an established and large DT-s SACCO, that is, the SACCO has been in existence for over 40years, a member register of 28,032 members and asset base of over 10 Billion and a majority of members are salaried of whom 53% are teachers, and the 47% comprise of parastatal, county governments, Chama and businesses among others This means that the SACCO has accumulated enough wealth to absorb financial issues (Mentor SACCO, 2021) and it may not apply to all DTs the study recommends that the following study be carried out; membership and financial performance of the DTS in Kenya

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