

Asset and Liability Structure on Investment Performance of Deposit Taking Savings and Credit Cooperatives in Nairobi City County, Kenya

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Article's History

Submitted: 9th May 2023

Accepted: 22th May 2023

Published: 27th May 2023

Abstract

Aim: Similar to conventional financial organizations, deposit taking SACCOs rely on assets to generate better returns, improving their financial stability and, consequently, their profits. Inadequate assets have also meant that deposit taking SACCOs sometimes proved unable to service externally procured debts. This affirms that the asset and liability ratio of deposit taking SACCOs is critical for them to succeed. It implies that nexus subsists amongst asset and liability structure and investment performance of the SACCOs. The main objective of this study was to establish the influence of asset and liability structure on investment performance of deposit taking SACCOs in Nairobi County, Kenya.

Methods: The study utilized a causal research design. The target population for this study was 42 licensed deposit-taking SACCOs in Nairobi County, Kenya. The study was a census of all deposit taking SACCOs in Nairobi City County. Additionally, this research utilized secondary panel data that was retrieved from annual reports of the SACCOs from 2017 to 2021. The study used descriptive statistics in the data analysis. Additionally, inferential statistics which included correlation and regression were used in the data analysis.

Results: The findings showed that fixed assets and current assets have a significant positive effect on investment performance of SACCOs in Nairobi County while short-term liabilities and long-term liabilities have significant negative effect on investment performance of SACCOs in Nairobi County. The results also showed that fixed assets have a positive and significant effect on the ROI.

Conclusion: Fixed assets like land & buildings, properties and equipment increase the wealth of the SACCOs, and have a significant impact on their investment performance.

Recommendations: The management of deposit-taking SACCOs should increase investments in fixed assets including land, buildings, and equipment since they increase return on investment. Instead of leasing, the DT-SACCOs management can buy the fixed assets. To manage their cash flows, particularly those from account receivables and account payables, the management of DT-SACCOs should continuously guarantee they develop cash budgets and maintain a cashbook.

Keywords: *Assets, liabilities, investment performance, deposit taking SACCOs*

1.0 INTRODUCTION

Savings and Credit Cooperative Societies (SACCOs) are regarded as independent, cooperative financial intermediaries with free and voluntary membership (Maleko et al., 2016). They seek to satisfy the members' financial demands. SACCOs are required to offer financial services in the best possible ways, allowing the cooperative to pay its operational costs and ensuring the financial security of its membership. Outcomes of SACCO activities and policies are used to gauge investment performance. Their returns on investments, assets and equity return, as well as value addition all reflect these outcomes (Clement, 2015).

SACCOs support economic development and progress by operating efficiently financially. Due to a lack of or improper use of product diversification, these institutions have not been doing effectively, especially in emerging nations (Logue & Yates, 2015). SACCOs are anticipated to generate value by offering a variety of goods. SACCOs earn less than they might if these services are not altered to meet the demands of the members. SACCOs must function well as they integrate deposit-taking operations into their current portfolio. The closure of many large banks' branches nationwide, particularly in rural regions, during the 1980s prompted SACCOs to adopt other methods to provide their members with banking and associated services. This led to the development of deposit taking (Maina et al., 2016).

Asset and liability structure, as per Kreicher, McCauley and McGuire (2016), identifies the assets that a company controls and the owners of those assets. It provides the shareholders of the company with a detailed list of the valuable possessions, or assets, that the company is in control of at any one moment. The asset and liability statement display an institution's possessions (assets), obligations, and capital investments in the firm (equity). In essence, the asset and liability structure summarize the asset and liability structures of the business. Equity, which is comprised of shareholder contributions and retained revenues, is an additional aspect of the asset and liability (Lileikien, 2018).

The capacity of a company to produce additional resources from ongoing activities over a specific time period is referred to as investment performance (Bora, 2015). It entails increasing profits and the wealth of shareholders, two of a company's primary goals (Pandey, 2015). The key factors affecting shareholders' wealth include increases in sales, higher profit margins, investment choices, and asset allocation decisions (Arnott & Asness, 2018).

SACCOs have gained universal recognition as a key driver of economic development. Around the world, cooperatives have a membership of about a billion people. A thriving and active cooperative sector exists in many nations that have attained economic progress, and it makes a significant contribution to the expansion of those economies (Clement, 2015). Deposit-taking SACCOs in the United States have 4 million participants and a gross investment output of around \$93 billion. The majority of these SACCOs are listed among the 500 biggest companies on the Fortune 500 list. Over 40% of the US populace belongs to a SACCO. The most significant deposit-taking SACCOs in France and the Netherlands are Credit Mutual and Rabo Credit, respectively (Okoye, 2019). There are 90,000 of these SACCOs in India where they have a significant impact on the green revolution and have an average yearly investment return of \$70-80 billion. Approximately 28 million individuals in Bangladesh are served by deposit-taking SACCOs, and the investment returns total around \$82.9 billion (Marshal, 2010).

The best 300 cooperatives in the world have a combined worldwide revenue of \$2.2 trillion, according to the World Co-operative Monitor, which includes Africa. At least 250 million people worldwide are employed part-time or full-time by cooperatives, either directly or indirectly. This represents about 12% of all people in employment in the G20 countries (ICA, 2015). Banque Populaire du Rwanda that began as a lending organization has emerged as a success icon in the region whereas majority in her caliber, including government endorsed institutions, are facing leadership and managerial obstacles (Kigabo, 2018). Twesigye (2019) observe that the Uganda Co-operatives and Savings Credit Union, that strives to be the Uganda's body that monitor all SACCOs, is still economically vulnerable. SACCOs made up 5,559 of Tanzania's 9,700 certified cooperatives as of March 2013, with 45% of them located in cities, up from 5,344 in 2011. They had 1,153,248 subscribers total, which was nearly 25% of the banking sector's customers (including official and informal groups) (WB, 2013).

SACCOs in Kenya, which are a subcategory of larger cooperatives, have increased the range of monetary services they provide to their members in the areas of savings and credit (Nyarige & Olweny, 2014). The venture into the deposit-taking financial sector, which is comparable to the one performed by SACCOs utilizing banks except that such deposits are obtained from members, is a key component of these monetary operations. Mwangi and Wambua (2019) observe that over 2.5 million people are members of deposit-taking SACCOs, according to a report to the 3rd Pan-African Consultative Forum from 2015. In Kenya, cooperatives have raised savings totaling Kshs. 110 billion (\$1.5 billion) and Kshs. 95 billion (\$1.3 billion) in outstanding debt. Deposit-taking cooperatives have provided loans for the acquisition of real estate, agricultural inputs, housing, healthcare, education, and the establishment of other commercial endeavors.

1.1 Statement of the Problem

Deposit taking SACCOs are crucial for combining the financial instruments needed for investing and generating wealth (Ratemo, 2015). Through the deployment of local savings, they promote economic growth. They are included as economic development drivers in Kenya Roadmap to vision 2030, demonstrating the sector's significance to the country's economy (Republic of Kenya, 2007). The financial performance of deposit-taking SACCOs has varied during the previous five years, as per SASRA (2020). As an illustration, the SACCOs' average ROI at the start of 2015 was 5.38%. This decreased to 4.15% in 2016, then increased marginally to 5.33 percent in 2017 and again to 7.45percent in 2018. The deposit-taking SACCOS in Nairobi City County had an average return on assets of 6.39%, which was a decrease from 2018, according to the SASRA survey (2019). One of the elements of significance for the shareholders is the SACCOs' investing performance. This is so given the SACCO's financial performance depends on investment choices. An analysis of deposit-taking SACCOs' investment performance in Kenya reveals that these organizations have faced difficulties that have decreased their performance (SASRA, 2016).

Some of the major issues that have had an impact on the investment performance of SACCOs in Kenya include poor profit on real estate investment (less than 10%), infrequent membership fee remittances, insufficient product advancement (less than 15%), lag in loan approvals (over 30 days), elevated charges on withdrawal and deposit, and loan default (30%) (Sigei, 2016). As shown by Ekeza SACCO in 2018, this has led to lower earnings and savings withdrawals from members. They have been challenged to properly carry out their mandate as a result of their inconsistent performance because of a lack of internal finances, a high cost of financing, undercapitalization,

and strict capital adequacy criteria (Mwende & Kalio, 2014; Kivuvo & Olwenyi, 2014; Onyango, 2016). Due to the shortage of finances, deposit-taking SACCOs have also been struggling to pay back loans taken from outside sources and hire skilled and skilled employees, which has led to member attrition as their credit demands go unfulfilled (SASRA, 2016). This suggests that deposit accepting SACCOs' asset and liability structure is essential to their performance. As a result, several SACCOs have struggled to access funds for new investments (SASRA, 2016).

Masika (2018) assessed the impact of business attributes on the financial health of Sasra-licensed deposit-taking SACCOs in Nairobi County, Kenya. In the study, firm performance was operationalized as firm profitability. Mwatu (2018) assessed the impact of capital structure on the financial health of Deposit-taking SACCOs in Kenya using correlational research design. Orao (2017) researched on the impact of risk mitigation methods on the moneywise success of money taking SACCOs at Uasin-Gishu where financial performance was operationalized as return on assets. These shows that study on the effect of asset and liability structure on investment performance of deposit taking SACCOs in Nairobi City County, Kenya has not been done, thus showing a knowledge gap. This research project sought to seal the void by showing the effect of asset and liability structure on investment performance of deposit taking SACCOs in Nairobi City County, Kenya.

1.2 Objective of the Study

The main objective of this study was to establish the effect of asset and liability structure on investment performance of deposit taking SACCOs in Nairobi City County, Kenya.

The study was based on the following specific objectives:

- i. To determine the effect of fixed assets on investment performance of deposit taking SACCOs in Nairobi City County, Kenya.
- ii. To establish the effect of current assets on investment performance of deposit taking SACCOs in Nairobi City County, Kenya.
- iii. To examine the effect of long-term liabilities on investment performance of deposit taking SACCOs in Nairobi City County, Kenya.
- iv. To determine the effect of current liabilities on investment performance of deposit taking SACCOs in Nairobi City County, Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 Modigliani and Miller Theory

The capital structure irrelevancy principle developed by Modigliani and Miller in 1958, is known as the Modigliani-Miller (MM) theorem. There are four main assumptions in the MM Theorem (Modigliani & Miller, 1963). The very first presumption is that, under some circumstances, an organization's asset ratio has no bearing on the market worth of the organization. According to the second supposition, a firm's leverage bears no influence on its weighted average capital cost. The third premise contends that a company's market value and its dividend policy are unrelated. The fourth presumption is that a company's equity owners are unconcerned with its funding arrangement.

Contemporary understanding on asset and liability structure in the fields of both finance and economics is based on the Modigliani and Miller theorem on capital structure. When there are no agency costs, asymmetrical knowledge, and an effective market, according to Modigliani and Miller's (MM) foundational writings from 1958, the valuation of the organization is unaltered by the way the enterprise is funded (Modigliani, 1958). The concept contends that neither the capital structure nor the dividend policy affects the investment performance of firms, a phenomenon called capital structure irrelevance.

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According to Modigliani, the introduction of accruals has an influence on cost of capital which determines how assets and obligations are structured and hence the performance of investments. According to Modigliani, the introduction of accruals makes debt more advantageous since the interest paid decreases the cost of a loan and hence increases the productivity of the organization. This concept applies to the research since it contends that maintaining liabilities in the asset base has advantages. This study aimed to determine how deposit-taking SACCOs in Kenya's investment performance is impacted by the asset and liabilities mix.

2.2 Empirical Review

Okobo (2017) analyzed the impact of fixed asset investments on the financial results of a few Nigerian SACCOs. The report's ex post factor study approach was employed. Over the course of eleven (11) years, secondary information was obtained from Deposit Money Bank yearly statements and records of 8 chosen institutions (2002 – 2014). The results showed that the SACCOs' ROA was significantly and negatively impacted by repairs and maintenance costs. Additionally, the survey's findings showed a detrimental and statistically relevant association between further fixed asset purchase and the SACCOs' returns (ROA). The research also revealed an unfavorable and substantial link between ROA and fixed asset deterioration (ROA). This study depicts a methodological gap since ex post factor research design was used. The current study utilized descriptive research design which will help us to accurately and systematically describe a population.

To know the impact of managing fixed assets on fiscal performances, Purba (2019) carried out research. Fixed asset turnover (FATO) was used to gauge permanent asset management, while yield on assets (ROA) was used to gauge monetary effectiveness (ROA). Just a single independent factor was employed in the research. 6 firms were included in this test's panel data analysis, which covered the years 2013 to 2017. Panel data regression analysis was the analytical technique employed. According to the outcomes of the hypothesis test, FATO, the independent variables, has a strong positive and significant impact on ROA. This indicates that in order to increase the business's revenue, asset management is essential. The study solely considered return on assets (ROA) while the present analysis took Return on Investment into account (ROI).

Research on the effect of liquid assets on the income of Pakistani pharmaceutical businesses was undertaken by Habib in 2019. Information for yearly books of accounts of 6 pharmaceutical businesses mentioned on the KSE between 2010 and 2018 was gathered for this project during a nine-year period. The ROA was used to calculate productivity. The researchers used current assets as independent variable. The outcome of the regression analysis that was conducted revealed that current assets significantly increase the ROA for Pakistani pharmaceutical enterprises. The study, however, the study was conducted in Pakistan whose ROI rates differ from that of Kenya, which presents a contextual gap. The current study was conducted among DT-SACCOs, Nairobi.

In the Mount Kenya Region, Njeru and Tirimba (2015) sought to examine how deposit-taking SACCOs managed their cash flow. The sample size was 92 participants, the sampling approach was simple random sampling, and the targeted respondents was all thirty legal deposit-taking SACCOs in the Mount Kenya zone. In order to gather data concerning implications of liquidity monitoring on the monetary wellbeing of cash-taking SACCOs in the Mount Kenya area, the investigation applied a descriptive survey. Structured questionnaires that were self-administered were used to gather the primary quantifiable information. Secondary data from the SACCOs' and the regulator's audited financial statements was also used by the researcher (SASRA). With regard to the study's goals, the data was examined using both descriptive and inferential statistics. However, the study focused on money wise wellbeing thus showing conceptual niche. This present study focused on investment performance.

In a survey performed by Mohammed (2015), the scholar examined at the connection between the investment in current assets and revenue growth of industrial businesses mentioned on the Amman Stock Exchange. They did this by measuring the investment in current assets using the ratio of current assets to total assets (C.A.TA), and revenue growth using the yield on assets ratio (ROA). The profitability of Amman Stock Exchange-listed businesses in the industrial sector and investment in current assets were shown to be related; moreover, the researchers discovered a ratio of 44.1% of changes in Return on Assets (ROA) to changes in investments in current assets. The current study, however, the study was conducted in Amman Stock Exchange whose measures in investment performance differs from that of Kenyan DT-SACCOs and thus presents a contextual gap. The current study was conducted among DT-SACCOs in Nairobi County.

Shikumo (2020) did research on influence of long-term loans on the monetary expansion of non-financial enterprises listed at Nairobi Securities Exchange. Financial companies were eliminated due to their distinct sector features and rigorous regulatory system. The Trade-off Theory and the Theory of Firm Growth served as the survey's guiding theories. The study design used was explanatory. Forty-five non-financial companies mentioned at the NSE for 10 years, from 2008 to 2017, made up the study's populace. Both panel data analysis and descriptive statistics analytics were used in the investigation. According to the findings, long-term debts accounts for respectively 21.6% and 5.16% of the variance in financial growth as assessed by increases in profits per share and market capitalization. The study presented a contextual gap as it focused on non-financial firms listed at Nairobi Securities Exchange while the current study focused on deposit taking SACCOs which operate in different regulatory environment.

Kamau (2018) did a study to identify the variables influencing Kenyan companies listed on the NSE's decisions on long-term loans. The research approach for the study was descriptive. A total of 48 firms listed on the Nairobi Stock Exchange made up the populace of concern, and 38 firms

responded. The core data was gathered utilizing questionnaires distributed to the businesses using the drop-and-pick approach. Information gathered was evaluated through the liner regression approach. The Statistical Package for Social Science (SPSS) version 17 was also used to analyze the data. The survey found that most businesses financed their operations via long-term loans. The study presented a contextual gap as it focused on firms quoted at NSE while the current study focused on deposit taking SACCOs, which operate in different regulatory environment.

In 196 Romanian firms registered on the Bucharest Stock Exchange and engaged in manufacturing during an eight-year timeframe, Sorana (2015) performed a survey on the link between long-term credit and monetary achievement (2003-2010). Cross sectional regressions served as the analyses' foundation. According to the findings, there is no statistically meaningful link between long-term debt ratios and financial success. The study presented a contextual gap as it focused on Romanian companies listed on the Bucharest Stock Exchange whose measures in investment performance differs from that of Kenyan DT-SACCOs and thus presents. The current study focused on deposit taking SACCOs in Kenya.

Sujan (2021) did research to find out the connection between current liabilities and net profit after tax. Inequitable panel from 2010 to 2019, information for 49 firms from five industries listed on the Dhaka Stock Exchanges was gathered from those firms' websites. The models utilized in this study are the Ordinary Least Square (OLS), Pooled Ordinary Least Square (POLS), Driscoll-Kraay (DK), Second Stage Least Square (2SLS), and Generalized Methods of Moments (GMM). According to the analysis, there was no relationship between current liabilities and net earnings after taxes in the fuel and electricity industry. Current liabilities exhibited a favorable link in several models in the pharmaceutical, chemical, and engineering sectors, but there is no meaningful correlation in the textile industry, despite the fact that the total model was meaningful at the 10% level of significance. The current study therefore sought to find out if the relationship between current liabilities and investment performance is significant.

Makori (2017) investigated how current liabilities affected the financial performance of non-monetary companies trading on Kenya's Nairobi Securities Exchange. Explanatory study technique, which is not experimental in nature, was used in the analysis. A census of 26 non-financial companies registered on the NSE was used in the research. The Capital Markets Authority database, internet sites, and panel data from yearly statements and financial reports of non-financial enterprises for the years 2001 to 2014 were used in the research. The study found that all monetary performance metrics are significantly negatively impacted by current obligations. The study shows a contextual gap by focusing on non-financial firms listed at the Nairobi Securities Exchange. The current study focused on deposit taking SACCOs investment performance of which both operate in different regulatory environment.

3.0 RESEARCH METHODOLOGY

The study utilized a causal research design. The target population for this study was 42 licensed deposit-taking SACCOs in Nairobi County, Kenya. The study was a census of all deposit taking SACCOs in Nairobi City County. Additionally, this research utilized secondary panel data that was retrieved from annual reports of the SACCOs from 2017 to 2021. The study used descriptive statistics in the data analysis. Additionally, inferential statistics which included correlation and regression were used in the data analysis.

4.0 FINDINGS

4.1 Descriptive Statistics

Table 1 provides the summary of the mean, standard deviation and trends of the data for the duration between 2017 and 2021.

Table 1: Descriptive statistics

Variables	N	Minimum	Maximum	Mean	Std. deviation
Fixed assets ratio	210	5	13	8.77	2.556
Current assets ratio	210	70	85	77.49	4.665
Long term liabilities ratio	210	8	23	14.93	4.460
Short term liabilities ratio	210	50	75	63.38	7.740
ROI	210	3	24	13.51	6.307

Source: Research data (2023)

The findings in Table 1 revealed that the mean of fixed assets ratio which was derived by dividing the fixed assets with total assets was 8.77%. The standard deviation of 2.556 accounted for the variations between the maximum value of fixed assets ratio of 13% and the minimum value of 5%. The implication is that the average fixed assets ratio for the studied deposit taking SACCOs was 8.76% with some of the SACCOs reporting a fixed assets ratio of as high as 13% while others reporting a fixed assets ratio of as low as 5%.

Moreover, it was found that the mean of current assets ratio which was derived by dividing the current assets with total assets was 77.49%. The standard deviation of 4.665 accounted for the variations between the maximum value of current assets ratio of 85% and the minimum value of 70%. This implies that the average current assets ratio for the studied deposit taking SACCOs was 77.69% with some of the SACCOs reporting a current assets ratio of as high as 85% while others reporting a current assets ratio of as low as 70%.

The results further revealed that the mean of long-term liabilities ratio which was derived by dividing the long term with total liabilities was 14.93%. The standard deviation of 4.460 accounted for the variations between the maximum value of long-term liabilities ratio of 23% and the minimum value of 8%. This implies that the average long-term liabilities ratio for the studied deposit taking SACCOs was 14.93% with some of the SACCOs reporting a long-term liabilities ratio of as high as 23% while others reporting a long-term liabilities ratio of as low as 8%.

The findings also showed that the mean of short-term liabilities ratio which was derived by dividing the short-term liabilities with total liabilities was 63.38%. The standard deviation of 7.740 accounted for the variations between the maximum value of short-term liabilities ratio of 75% and the minimum value of 50%. This implies that the average short-term liabilities ratio for the studied deposit taking SACCOs was 63.13% with some of the SACCOs reporting a short-term liabilities ratio of as high as 75% while others reporting a short-term liabilities ratio of as low as 50%.

The study findings also indicated that the mean of return in investment (ROI) which was derived by dividing the net profits with total investment was 13.51%. The standard deviation of 6.3078 accounted for the variations between the maximum value of return in investment (ROI) of 24% and the minimum value of 3%. This implies that the average return in investment (ROI) for the

studied deposit taking SACCOs was 13.51% with some of the SACCOs reporting a ROI of as high as 23% while others reporting a ROI of as low as 3%.

4.2 Correlation Analysis

The study used Pearson's Correlation coefficient in the data analysis to show the relationship between asset and liability structure and investment performance of deposit taking SACCOs in Nairobi City County, Kenya. Table 2 presents the results of correlation analysis.

Table 2: Correlation analysis

		ROI	Fixed assets	Current assets	Long term liabilities	Short term liabilities
ROI	Pearson Correlation	1				
	Sig. (2-tailed)					
Fixed assets	Pearson Correlation	.7456**	1			
	Sig. (2-tailed)	0				
Current assets	Pearson Correlation	.7836**	0.055	1		
	Sig. (2-tailed)	0	0.234			
Long term liabilities	Pearson Correlation	-.725**	-0.066	-0.169	1	
	Sig. (2-tailed)	0	0.557	0.065		
Short term liabilities	Pearson Correlation	-.772**	-0.234	-0.751	0.732	1
	Sig. (2-tailed)	0	0.567	0.08	0.098	

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

Source: Research data (2023)

The findings from correlation analysis showed that there was a positive and significant relationship between fixed assets ratio and return on investment (ROI) ($r=0.7456$, $p=0.00$). This means that an increase in fixed assets would result to increased ROI. This agrees with the findings by Purba (2019) who found a positive and significant relationship between fixed assets and firm profitability. The findings further showed that there was a positive and significant relationship between current assets ratio and return on investment ($r=0.7836$, $p=0.00$). This means that an increase in current assets would result to increased ROI. This agrees with the findings by Habib (2019) whose study findings indicated that current assets significantly increase the profitability for Pakistani pharmaceutical enterprises. In addition, the findings showed that there was a negative and significant relationship between long term liabilities ratio and return on investment ($r=-0.725$, $p=0.00$). This means that an increase in long-term liabilities would result to a decrease in ROI. This agrees with the findings by Kamau (2018) whose study findings showed that long term liabilities lead to variations in financial performance. The results further revealed that there was a negative and significant relationship between short term liabilities ratio and return on investment ($r=-0.772$, $p=0.00$). This means that an increase in short term liabilities would result to a decrease

in ROI. This agrees with the findings by Makori (2017) who established that monetary performance metrics are significantly negatively impacted by current obligations.

4.3 Regression Analysis

The diagnostic tests conducted by the study affirmed that the OLS assumptions were not debased and hence the study can further do a regression analysis to establish the effect of asset and liability structure on investment performance of deposit taking SACCOs in Nairobi City County, Kenya. The results of regression analysis are presented in the subsequent sections.

Table 3: Model summary

Model	R	R square	Adjusted R square	Std. error of the estimate
1	.828a	0.686	0.680	3.568

Source: Research data (2023)

The findings presented in Table 3 revealed that fixed asset ratio, current asset ratio, long-term liabilities ratio and short-term liabilities ratio were satisfactory variables in explaining ROI. This was supported by the coefficient of determination (R square) of 68%. This implied that fixed asset ratio, current asset ratio, long-term liabilities ratio and short-term liabilities ratio explains 68% of the variations in ROI while 32% is explained by other variables not included in the model. In addition, this also meant that the model applied to link the relationship between fixed asset ratio, current asset ratio, long-term liabilities ratio and short-term liabilities ratio and ROI was satisfactory.

Table 4: Analysis of variance

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	5702.336	4	1425.584	111.965	.000b
	Residual	2610.145	205	12.732		
Total		8312.481	209			

Source: Research data (2023)

The results from the analysis of variance (ANOVA) in Table 4 show that the overall model of regression was statistically significant and fixed asset ratio, current asset ratio, long-term liabilities ratio and short-term liabilities ratio were good predictors of ROI. This is according to the calculated F statistic of 111.965 and the reported p-value of (0.000) which was less than the conventional probability of 0.05 insignificance level.

Table 5: Regression coefficients

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. error	Beta		
1 (Constant)	9.296	9.714		0.957	0.34
Fixed Assets Ratio	0.574	0.169	0.233	3.393	0.001
Current Assets ratio	0.255	0.095	0.189	2.681	0.008
Long term Liabilities	-0.225	0.097	-0.159	-2.312	0.022
Short Term Liabilities	-0.272	0.057	-0.334	-4.804	0.000

Source: Research data (2023)

The results of regression analysis in Table 5 showed that fixed assets ratio have a positive and significant effect on investment performance ($\beta=0.233$, $p=0.001$). This implies that a unit increase in fixed assets would lead to an increase in investment performance by 0.233 units. This finding agrees with the findings by Purba (2019) who found a positive and significant relationship between fixed assets and firm profitability. However, the result disagrees with Okobo (2017) whose study found a detrimental and statistically relevant association between further fixed asset purchase and the SACCOs' returns (ROA).

It was also found that current assets ratio has a positive and significant effect on investment performance ($\beta=0.189$, $p=0.008$). This implies that a unit increase in current assets would lead to an increase in investment performance by 0.189 units. This agrees with the findings by Habib (2019) whose study findings indicated that current assets significantly increase the profitability for Pakistani pharmaceutical enterprises. This finding also agrees with Mohammed (2015) who found that the profitability of Amman Stock Exchange-listed businesses in the industrial sector and investment in current assets were positively related.

The results also showed that there was a negative and significant effect of long-term liabilities on investment performance ($\beta=-0.159$, $p=0.022$). This implies that a unit increase in long-term liabilities would lead to a decrease in investment performance by 0.193 units. This agrees with the findings by Kamau (2018) whose study findings showed that long-term liabilities lead to variations in financial performance. This however, disagrees with Sorana (2015) who found no statistically meaningful link between long-term debt ratios and financial success.

It was further established that short-term liabilities have a negative and significant effect of short-term liabilities on investment performance ($\beta=-0.334$, $p=0.000$). This implies that a unit increase in long-term liabilities would lead to a decrease in investment performance by 0.311 units. This agrees with the findings by Makori (2017) who established that monetary performance metrics are significantly negatively impacted by current obligations. This finding however disagrees with that of Pradhan and Khadka (2017) which showed that a rise in the ratio of short-term debt to total assets caused an uptick in SACCO income.

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

The first objective of the study was to determine the effect of fixed assets on investment performance of deposit taking SACCOs in Nairobi City County, Kenya. The descriptive results revealed that the mean of the fixed assets ratio was 8.77% with a standard deviation of 2.556%. This implied that majority of the DT-SACCOs have fixed assets which have an effect on their investment performance. The inferential results which consisted of correlation results revealed that fixed asset ratio have a positive and significant relationship with investment performance. The regression results also indicated that fixed assets ratio has a positive and significant effect on investment performance.

The second objective of the study was to establish the effect of current assets on investment performance of deposit taking SACCOs in Nairobi City County, Kenya. The descriptive results revealed that the mean of current assets ratio was 77.49% with a standard deviation of 4.665 %. This implied that majority of the deposit taking SACCOs have current assets which have an effect on their investment performance. This could mean applying favorable interest on the loans they offer to their customers which thus encourage more customers to borrow loans. The inferential results which consisted of correlation results revealed that current assets have a positive and significant relationship with investment performance. The regression results also indicated that current assets have a positive and significant effect on investment performance.

The third objective of the study was to examine the effect of long-term liabilities on investment performance of deposit taking SACCOs in Nairobi City County, Kenya. The descriptive results revealed that the mean of long-term liabilities ratio was 14.93% with a standard deviation of 4.460%. This implied that majority of the deposit taking SACCOs have long term liabilities which have an effect on their investment performance. This also means that the deposit taking SACCOs acquired long-term loans to meet their long-term obligations. The inferential results which consisted of correlation results revealed that long-term liabilities have a negative and significant relationship with investment performance, the regression results also indicated that long-term liabilities have a negative and significant effect on investment performance.

The fourth objective of the study was to determine the effect of short-term liabilities on investment performance of deposit taking SACCOs in Nairobi City County, Kenya. The descriptive results revealed that the mean of short-term liabilities was 63.38% with a standard deviation of 7.740 %. This implied that majority of the deposit taking SACCOs have short term liabilities which have an effect on their investment performance. The inferential results which consisted of correlation results revealed that short-term liabilities have a negative and significant relationship with investment performance. The regression results also indicated that short term liabilities have a negative and significant effect on investment performance.

5.2 Conclusion

The results of the study led to the conclusion that a good number of the deposit taking SACCOs have fixed assets as shown by the mean and standard deviation of the fixed asset ratio. The study also concluded that fixed assets have a positive and significant effect on the ROI. According to the study findings and the literature discussed, this implies that fixed assets like land & buildings, properties and equipment increase the wealth of the SACCOs, and have a significant impact on

their investment performance. It was concluded that DT-SACCOs with more assets and have increased their shareholder's equity are able to attract more customers and investors since they have more confidence in such SACCOs than the small DT-SACCOs that are still developing. This explains why large DT-SACCOs perform better than the medium and small DT-SACCOs in Kenya.

The study concluded current assets are also in most of the deposit taking SACCOs as indicated by the mean and standard deviation of current assets ratio. In addition, current assets were found to have a positive and significant effect on the ROI of DT-SACCOs. In relation to the study findings and those obtained from the previous studies discussed, having current assets to cater for current liabilities can improve the liquidity hence improving the investment performance of DT-SACCOs. In that effect, the study concluded that SACCOs that consistently ensure they prepare cash budgets and maintaining a cash book are able to manage the debts from their account receivables. Current assets which constitute of the cash balances at hand and in bank can also be increased through boosting their net cashflows in increasing their investment and operating activities.

Further, the study concluded that long term liabilities are present in most of the DT-SACCOs as revealed by the mean and standard deviation of the current ratio. The study also concluded that long term liabilities have a negative and significant effect on the ROI of DT-SACCOs. It was therefore concluded that having long term loans may result to lower investment performance of DT-SACCOs due to increase in the interest rates and inflation.

It was also concluded that some DT-SACCOs have short term liabilities as shown by the mean and standard deviation of the short-term liabilities ratio. There is also a negative and significant relationship between short term liabilities ratio and ROI. The study therefore concluded that having short term loans may result to lower investment performance of DT-SACCOs due to the rise in interest rates, inflation and decline in currency value.

5.3 Recommendations

The ratio of fixed assets to total investments was shown to be positively and significantly correlated with investment performance. As a result, it was recommended that the management of deposit-taking SACCOs spend more in fixed assets including land, buildings, and equipment since they increase return on investment. Instead of leasing, the DT-SACCOs management can buy the fixed assets. By regularly inspecting their equipment and replacing it as necessary, they can also cut down on repair and maintenance expenses.

On current asset ratio, the study recommended that the SACCOs should delay any capital purchases that would require any cash payments, look to see if any term loans can be re-amortized, reduce the personal draw on the business and sell any capital assets that are not generating a return to the business (use cash to reduce current debt). The study also recommended that the SACCOs should improve current assets by rising shareholder's funds by considering the improvement of the current ratio, drawings are not advisable. It is because drawings would reduce capital investment in the current assets. Therefore, the level of current liabilities will increase to finance the current asset.

On long-term liabilities, the study recommended that the SACCOs can aim at increasing sales revenues and hopefully profits. This can be achieved by raising transactions cost, increasing sales,

or reducing costs. The extra cash generated can then be used to pay off existing debt. Ensure they have more effective inventory management by examining how efficiently inventory is being managed. The SACCOs can restructure debt which provides another way to reduce the debt-to-capital ratio. If a company is largely paying relatively high interest rates on its loans, and current interest rates are significantly lower, the company can seek to refinance its existing debt.

On short-term liabilities, the study recommended that the SACCOs should have an effective working capital management by properly keeping the investment in the current assets under control so as to minimize the amount of funding required. In order to manage their cash flows, particularly those from account receivables and account payables, the management of DT-SACCOs should continuously guarantee they develop cash budgets and maintain a cash book. They should also implement effective financial investment management practices that can help them reduce the risk of financial losses from investments such as projects or securities.

For policy, the study recommends that SASRA should enforce better asset and liability management policies that encourage deposit-taking SACCOs to have more fixed and current assets as opposed to long term and short-term liabilities. The SACCOs would be able to reveal how efficiently they are generating sales from their existing fixed assets. In addition, a higher ratio would imply that management of the SACCOs are using its fixed assets more effectively.

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