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# Effect of Deposit Levels on Financial Stability of Deposit-Taking Savings and Credit Cooperative Societies in Kenya

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**ABSTRACT:-** This study aimed to determine the effect of deposit levels on the financial stability of deposit-taking SACCOs in Kenya. The study employed a descriptive research design and relied on secondary data collected from the audited financial reports of 176 licensed deposit-taking SACCOs from 2018 to 2022.. Data analysis involved descriptive statistics, correlation analysis, and multiple regression. The findings revealed that deposit levels, capital adequacy, and firm size have significant positive effects on financial stability, with capital adequacy being the strongest predictor. Deposit levels enhance stability by increasing SACCOs' capacity to meet obligations, while firm size contributes through economies of scale. Liquidity, however, showed no significant effect on financial stability, indicating that its influence may be operational rather than strategic. The study concluded that higher deposit levels enhance financial stability by increasing the SACCOs' capacity to meet obligations and build financial reserves. Capital adequacy was identified as a critical factor in buffering SACCOs against financial shocks, while firm size positively influenced financial stability by leveraging economies of scale. Liquidity, however, did not have a direct effect on financial stability, suggesting that its role may be more operational than strategic in the context of SACCOs. These findings underscore the importance of deposit mobilization, capital management, and growth strategies in strengthening financial stability. Based on these conclusions, the study recommends that policymakers and SACCO management focus on strategies to enhance deposit mobilization through innovative products and financial literacy programs. Regulatory authorities should enforce capital adequacy requirements to ensure SACCOs maintain sufficient buffers, and SACCOs should pursue growth strategies to leverage economies of scale. While liquidity management remains important, SACCOs should prioritize other factors that have a more pronounced impact on financial stability. Future research could investigate additional variables, such as governance practices,

**Key Words**: Financial Stability; Deposit Taking Deposit Levels; Deposit Taking SACCOS

## I. INTRODUCTION

Deposit levels are the total amount of money that people or organizations put into a bank or credit union for investment or safekeeping. It is crucial to comprehend this measure when evaluating the stability and liquidity of a financial institution (Haddaweea, & Flayyihb, 2020). The deposit-taking companies are very susceptible to liquidity issues due to the fact that over 85% of their liabilities are made up of structured member deposits. Malik (2011) posits that maintaining an adequate level of deposits is essential for a deposit-taking Sacco to efficiently handle its liquidity. Member deposits serve as the main cash source for financial institutions and should be enough to meet loan demand and other member requirements. When the amount of money needed is greater than the amount of money available, the only solution for filling this gap is to borrow money from external sources, which incurs costs in the form of excessive interest rates, which ultimately decrease profitability levels (Haddaweea, & Flayyih, 2020). Deposits are essential for the vitality of financial institutions such as DT-SACCOs and commercial banks, serving as the primary source of funds. Therefore, deposits play a critical role in generating revenue for these institutions. SASRA (2024) provides a definition of deposit levels which includes three types of deposits: non-withdrawable, fixed-term, and withdrawable.

Previous studies have employed various approaches to measure deposit levels in financial institutions. Some scholars have used the absolute value of total deposits as a proxy, considering it a direct measure of liquidity and financial strength (Abdulkadir et al., 2022). Others have applied the ratio of deposits to total assets to gauge the relative significance of deposits in an institution's funding structure (Ahmed & Rahman, 2021). In this study, deposit levels were measured as the natural logarithm of total deposits, incorporating withdrawable deposits, fixed-term deposits, and non-withdrawable deposits. Withdrawable deposits represent demand deposits typically held by DT-SACCOs, fixed-term deposits are interest-earning accounts available to members, and non-withdrawable deposits are regular monthly contributions pooled for lending (SASRA, 2023). This approach is justified as it provides a comprehensive measure of deposit levels while addressing data normalization for robust analysis.

Manolescu and Manolescu (2017) assert that financial stability pertains to the condition in which the financial system efficiently acquires and allocates monetary funds, while also having the capacity to endure

shocks without negatively impacting the real economy. From a limited viewpoint, they assert that financial stability is the absence of banking crises resulting from a well-functioning banking system and stable asset prices. Financial stability encompasses the effective functioning of financial intermediation, which in turn fosters confidence and trust among consumers (Merga, 2013). This means the efficient functioning of the system that facilitates the flow of money between households, firms, and the government. This process is carried out through various financial institutions and is backed by a wide range of financial infrastructure (Khan, 2011). Internal processes and big shocks can both impede the development of financial stability, leading to the emergence of vulnerabilities. The downturns could stem from various sources, encompassing the external environment, macroeconomic conditions at home, notable financial institution borrowers and creditors, economic guidelines, or changes to the organization (Azam & Siddiqoui, 2012).

Previous studies have measured financial stability using various metrics. Some scholars have utilized the Capital Adequacy Ratio (CAR), which assesses a financial institution's ability to absorb risk and meet its obligations (Ahmed & Ali, 2022). Others have focused on asset quality and non-performing loan ratios as indicators of financial health and stability (Chen et al., 2023). Additionally, profitability ratios such as Return on Assets (ROA) and Return on Equity (ROE) are often used to gauge the financial resilience of institutions (Mumba et al., 2023). In this study, financial stability was measured using the ratio of retained earnings to total equity, as this metric effectively reflects the institution's ability to generate and retain profits while maintaining equity stability. This approach is justified because retained earnings are a key component of internal funding, critical for SACCOs in mitigating bankruptcy risks and ensuring compliance with regulatory capital requirements (SASRA Annual Supervision Report, 2022).

### 1.1 RESEARCH PROBLEM

DT-SACCOs have persistently faced financial challenges in sustaining their operations. They are facing financial uncertainty, especially those who depend on check-off deductions for their financial stability. Members equally experience significant delays when applying for a credit facility due to insufficient money, resulting in waiting periods of up to two months for loan approval (Birgen, Njau, & Magadi, 2023). Consequently, they have encountered challenges in providing loans requested by members, illustrating that the money at their disposal are insufficient. The consistent failure of these institutions to promptly send deductions and mobilize enough deposits would continue to put at risk the capacity of the DT-SACCOs to meet their financial commitments to members, along with their financial robustness and stability. The current scenario is having a negative effect on DT-SACCOs' liquidity, core capital and financial stability. Furthermore, there have been instances of fiscal mismanagement and fraudulent activities perpetrated by the management authority. Undoubtedly, this negative tendency significantly affects DTS profitability.

There are a number of relevant studies that outlines the study gaps to be addressed by the current research. The reality is that deposit taking institutions need adequate deposits. Suroso (2022) found that commercial banks with larger deposit ratios performed better in cost efficiency and customer satisfaction. The present study closes a gap in existing research by calculating DT-SACCO performance determined by asset quality, whereas the previous study measured commercial bank performance determined by customer satisfaction and cost effectiveness. Sidhu, Rastogi, Gupte, and Bhimavarapu (2022) noted that a higher deposit ratio reduced risk and enhanced stability for commercial banks, which in turn improved financial performance in countries with more stringent regulatory frameworks. This study takes a new approach to DT-SACCOs, addressing a literature gap. According to Sukmadewi (2020), banks with lower deposit ratios had poorer ROE and ROA. He solely considered deposit ratio as a liquidity risk while analyzing performance using ROE and ROA. This study examines deposit levels in a more comprehensive manner and Asset Quality as a measure of financial stability in a more focused approach. Finally, Sitompul and Nasution (2019) found that larger deposit ratios increased financial performance. Banks' financial health improves when they have higher deposit ratios because they have more liquidity and less credit risk. They measured banks' performance using unknown metrics. This study measured financial stability using retained earnings as a proportion of total equity, providing a novel perspective and addressing a literature vacuum. Fundi and Wamugo (2023) found that deposit risk significantly and negatively impacted the efficiency of credit and savings cooperatives. Nonetheless, the study's primary focus was on the Nairobi County DT-SACCOs' financial performance. The focus of the current was on the DT-SACCOs' overall financial stability in Kenya. The current study intended to resolve these gaps by responding to the question: What is the effect of deposit levels on the financial stability of deposit taking SACCOs in Kenya?

### 1.2 RESEARCH OBJECTIVE

The objective of this study was to determine the effect of deposit levels on financial stability of deposit-taking SACCOs in Kenya

## II. THEORETICAL REVIEW

This segment examines the theories that underpin the study of deposit levels and financial stability. "The study was anchored on Buffer Capital Theory by Calem and Rob (1996), Efficiency Structure Theory by Demsetz (1972) and Diamond (1984) proposed the financial intermediation theory. The overarching theory was the Buffer Capital Theory.

### 2.2.1 Buffer Capital Theory

Calem and Rob (1996) pioneered the Buffer Capital Theory. In order to reduce potential risks, banks aim to have more capital than is necessary, according to the principle. This involves creating standards that account the periodic nature of capital deficits caused by bank lending (Wakaba, 2014). Therefore, banks that have insufficient capital are more vulnerable to the possibility of bankruptcy, which would be covered by insurance companies. In contrast, banks with substantial capital undertake high-risk ventures with the aim of continually maximizing earnings by utilizing their resources (Kibet, Dennis, & Omwono, 2015). The concept of buffer capital establishes a connection between deposit levels of DT-SACCOs and their overall financial stability. The hypothesis posits that DT-SACCOs maintain reserves based on the deposits in order to mitigate the risk of their capital ratios falling below the legally required minimum threshold. Adequate deposits is essential for ensuring their stability and enabling them to effectively prepare for any crises (Mennawi, 2020).
The theory was relevant to the concept of significance of deposits by indicating that risks of DT-SACCOs decreases as its deposits increases. Based on the theory, DT-SACCOs may choose to maintain an additional amount of capital from deposits as a buffer in order to minimize the risk of falling below the legally required capital levels (Gupta, & Kashiramka, 2020). The argument is that SACCOs that have sufficient capital reserves are capable of mitigating financial crises, maintaining financial stability, and facilitating firm expansion. This is because the capital adequacy ratio assesses a financial institution's ability to manage credit, operational, market, and payment risks by measuring liquidity and shock absorbency. However, Jiang, Zhang, and Sun (2020) pointed out that the theory is flawed because they believe that continuously raising the required bank capital buffer does not consistently decrease bank risk-taking. In fact, they argue that demanding banks to accumulate excessive capital buffer is more likely to lead to increased risk-taking for high-risk banks.

### 2.2.2 Efficiency Structure Theory

Demsetz (1972) introduced the Theory of Efficiency Structure. The idea asserts that internal efficiencies account for the majority of an organization's performance. A critical tool for enhancing internal operational effectiveness is liquidity management. The X-efficiency hypothesis and the scale efficiency hypothesis are two theories that are part of the efficient-structure theory (Mensi, & Zouari, 2010). According to the theory of X-efficiency, banks with better management and processes may control expenses better and make more money, which brings the bank closer to the optimal cost curve's lower bound. The scale-efficiency theory states that certain banks can attain greater economies of scale, which lowers their operating expenses. Reduced expenses result in increased profitability and accelerated expansion for banks that operate efficiently at a larger scale. According to Olweny and Shipho (2011), financial organizations that continually achieve positive superior performance are more efficient than others. Improving total deposit level can significantly raise the liquidity risk faced by the particular institution.

It is essential for all SACCOs to make a concerted effort to comply with the minimum capital adequacy ratios in order to ensure their continued existence. According to this idea, effectively managing the sufficiency of deposits, the handling of cash, the quality of assets, and the repayment of loans is a strategy to achieve financial stability of DT-SACCOs. Increasing and sustaining adequate levels of deposits is considered a management efficiency issue, since the DT-SACCOs management needs to formulate strategies to facilitate the same. Members of SACCOs place a high value on efficiency since they benefit from cheaper service costs, better loan and deposit rates, and higher-quality services. Since the efficiency structure theory directs the SACCO management efficiency, it is pertinent it lead to financial stability (Muturi, Kibati, & Koima, 2017). DT-SACCOs should be able to utilize their deposits in a way that enhances financial stability. The theory has been criticized by Perelman (2011) who indicated that X-efficiency theory did not introduce any new concept, but only justified sub-optimization in regulated markets, with minimal competition.

### 2.2.3 Financial Intermediation Theory

Sealey and Lindley (1977) proposed the Theory. The notion implies that a financial institution's transformation process entails receiving funds from entities with excess spending and transferring them to entities with insufficient expenditure, also known as financial intermediation. Thus, funds associated with intermediation refer to the amount to which financial institutions address imbalances between spending units with deficits and surpluses (Ndebbio, 2004). The prevalence of financial intermediaries can be ascribed to concerns such as insufficient information, excessive transaction costs, and regulatory approaches (Bert & Dick,

2003). These features capture the core of their existence. Information symmetry is a fundamental idea in financial intermediation theory. It addresses difficulties such as adverse selection, which creates moral hazard, as well as the need for costly verification and auditing techniques. The financial intermediation theory depends on the premise that intermediation costs can be reduced in a transactional manner and the reduction of disparities in information (Bert and Dick, 2003). As a result, enough deposits would make transactions between DT-SACCOs more efficient.

Financial intermediation is a process that creates economic value, making it a crucial function carried out by DT-SACCOs in their daily activities. The theory of financial intermediation is important for this study since it acknowledges that financial stability can adequately perform financial intermediation function, enabling them to create effective marketplaces and lower operating expenses. As a result, the theory will be applied to strengthen the financial stability variable. Some scholars, such as Scholtens and Wensveen (2000) and Allen and Santomero (1998), have criticized the theory of financial intermediation for failing to recognize the role that lenders play in risk management within banking relationships.

## III. METHODS

A descriptive research design was adopted in this study. This is because the study aimed to establish the relationship between deposit levels and financial stability of deposit-taking SACCOs in Kenya using secondary data. The study population was the 176 licensed deposit-taking SACCOs in Kenya as of December 2023. The study was a census of all the 176 DT-SACCOs as the population was relatively small. Secondary data was relied on in this investigation which was extracted from annual published financials of the deposit-taking SACCOs in Kenya from 2018 to 2022 and captured in data collection forms. Correlation analysis involved examining the strength and direction of the relationship between deposit levels and financial stability, as well as the relationship between financial stability and other variables such as capital adequacy ratio, liquidity ratio, and firm size. Multiple regression analysis was used to estimate the effect of deposit levels on financial stability while controlling for other factors that may influence the relationship. The following equation was applicable:

$Y_{it} = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + \beta_4 X_{4t} + \varepsilon_t$

Where: Y = Financial stability

$\beta_0$ =y intercept of the regression equation.

$\beta_1, \beta_2, \beta_3, \beta_4$ =are the regression coefficients

$X_1$ = Deposit levels

$X_2$ = Capital adequacy ratio

$X_3$ = Liquidity ratio

$X_4$ = Firm size

$\varepsilon$ =error term

## IV. RESULTS

**Table 1: Correlation Analysis**

| | | Financial stability | Deposit levels | Capital adequacy | Liquidity | Firm size |
|---|---|---|---|---|---|---|
| Financial stability | Pearson Correlation | 1 | | | | |
| | Sig. (2-tailed) | | | | | |
| Deposit levels | Pearson Correlation | .144** | 1 | | | |
| | Sig. (2-tailed) | .000 | | | | |
| Capital adequacy | Pearson Correlation | .149** | .000 | 1 | | |
| | Sig. (2-tailed) | .000 | .990 | | | |
| Liquidity | Pearson Correlation | .015 | .008 | .078* | 1 | |
| | Sig. (2-tailed) | .657 | .803 | .021 | | |
| Firm size | Pearson Correlation | .125** | .321** | .036 | .008 | 1 |
| | Sig. (2-tailed) | .000 | .000 | .284 | .809 | |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | | |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | | | | |
| c. Listwise N=873 | | | | | | |

**Source: Research Findings (2024)**

The relationship between financial stability and deposit levels is positive, weak, and statistically significant ($r = 0.144$, $p < 0.01$). This indicates that as deposit levels increase, there is a slight improvement in financial stability among deposit-taking SACCOs, suggesting that higher deposits may contribute to better financial resilience. Similarly, the correlation between capital adequacy and financial stability is positive, weak, and statistically significant ($r = 0.149$, $p < 0.01$). This shows that higher levels of capital adequacy, measured by core capital relative to risk-weighted assets, are associated with slight improvements in financial stability, reinforcing the importance of adequate capital buffers in supporting financial resilience.

The relationship between liquidity and financial stability is positive but extremely weak and not statistically significant ($r = 0.015$, $p = 0.657$). This implies that liquidity, as measured by liquid assets to total assets, has no meaningful direct relationship with financial stability in this context, and its effects may be mediated by other variables. Lastly, the correlation between firm size and financial stability is positive, weak, and statistically significant ($r = 0.125$, $p < 0.01$). This suggests that larger SACCOs, as measured by total assets, exhibit slightly greater financial stability, possibly due to economies of scale and better resource management in larger institutions

**Regression Analysis**

The regression analysis results presented in Tables 2, 3, and 4 provide insights into the effect of deposit levels, capital adequacy, liquidity, and firm size on financial stability among deposit-taking SACCOs in Kenya. Table 2 shows that the model explains 5.1% of the variance in financial stability ($R^2 = 0.051$). While this suggests that the predictors account for a modest portion of the changes in financial stability, the adjusted $R^2$ value of 0.047 indicates that the model retains a similar explanatory power even when adjusted for the number of predictors. The standard error of the estimate (0.044552) suggests the typical deviation of observed values from the regression line is relatively small, indicating a reasonable fit for the data.

**Table 2: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .226[a] | .051 | .047 | .044552 |
| a. Predictors: (Constant), Firm size, Liquidity, Capital adequacy, Deposit levels | | | | |

**Source: Research Findings (2024)**

Table 2 presents the results of the Analysis of Variance (ANOVA), which tests the overall significance of the regression model. The F-statistic of 11.633 with a p-value of 0.000 indicates that the model is statistically significant at the 5% level. This means that the combination of deposit levels, capital adequacy, liquidity, and firm size significantly predicts financial stability, confirming the relevance of the selected variables in explaining variations in financial stability among SACCOs.

**Table 3: Analysis of Variance**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | .092 | 4 | .023 | 11.633 | .000[b] |
| | Residual | 1.723 | 868 | 1.98 | | |
| | Total | 1.815 | 872 | | | |
| a. Dependent Variable: Financial stability | | | | | | |
| b. Predictors: (Constant), Firm size, Liquidity, Capital adequacy, Deposit levels | | | | | | |

**Source: Research Findings (2024)**

Table 3 provides the regression coefficients, which highlight the individual contribution of each predictor to financial stability. Deposit levels ($B = 0.020$, $p = 0.001$) and capital adequacy ($B = 0.060$, $p = 0.000$) have positive and significant effects on financial stability, indicating that increases in these variables are associated with improvements in financial stability. Firm size ($B = 0.006$, $p = 0.007$) also has a positive and significant effect, suggesting that larger SACCOs are more financially stable. However, liquidity ($B = 0.000$, $p = 0.883$) shows no significant relationship with financial stability, implying that variations in liquidity levels do not meaningfully impact financial stability in this context.

**Table 4: Model Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .212 | .041 | | 5.140 | .000 |
| | Deposit levels | .020 | .006 | .113 | 3.242 | .001 |
| | Capital adequacy | .060 | .013 | .152 | 4.580 | .000 |
| | Liquidity | .000 | .002 | .005 | .148 | .883 |
| | Firm size | .006 | .002 | .095 | 2.709 | .007 |
| a. Dependent Variable: Financial stability | | | | | | |

**Source: Research Findings (2024)**

The coefficients in Table 4 provides insights into the effect of the independent variables (deposit levels, capital adequacy, liquidity, and firm size) on financial stability, the dependent variable. The unstandardized coefficients (B) represent the change in financial stability for a one-unit change in each independent variable, while the standardized coefficients (Beta) indicate the relative strength of each variable in influencing financial stability. The constant (B = 0.212, p = 0.000) indicates that when all the independent variables are held constant, the baseline level of financial stability is 0.212. This value is statistically significant, implying that other factors not included in the model may contribute to financial stability.

Deposit levels have a positive and statistically significant effect on financial stability (B = 0.020, Beta = 0.113, t = 3.242, p = 0.001). The unstandardized coefficient shows that for every unit increase in deposit levels, financial stability improves by 0.020 units. The standardized Beta value of 0.113 suggests that deposit levels have a moderate influence on financial stability compared to other variables. Liquidity shows a insignificant effect on financial stability (B = 0.000, Beta = 0.005, t = 0.148, p = 0.883). The lack of statistical significance (p > 0.05) implies that liquidity does not have a meaningful impact on financial stability in this model.

Capital adequacy has the strongest positive effect on financial stability among the variables (B = 0.060, Beta = 0.152, t = 4.580, p = 0.000). The unstandardized coefficient indicates that a unit increase in capital adequacy leads to a 0.060-unit increase in financial stability. The standardized Beta value of 0.152 demonstrates that capital adequacy is the most significant predictor of financial stability in this model. Firm size has a positive and statistically significant effect on financial stability (B = 0.006, Beta = 0.095, t = 2.709, p = 0.007). The unstandardized coefficient suggests that a unit increase in firm size improves financial stability by 0.006 units. The standardized Beta value of 0.095 indicates that firm size has a relatively smaller effect on financial stability compared to capital adequacy and deposit levels.
The coefficient of regression model was as below:
**Financial stability= 0.212 - 0.020 Deposit levels + 0.060 Capital adequacy ratio + 0.006 Firm size**

## V. CONCLUSION OF THE STUDY

The study concluded that deposit levels significantly influence the financial stability of deposit-taking SACCOs in Kenya. The findings demonstrated that higher deposit levels positively impact financial stability, as they enhance the SACCOs' capacity to manage their financial obligations and build retained earnings. This highlights the importance of implementing strategies to attract and retain member deposits, as a strong deposit base is a critical determinant of financial stability.

Capital adequacy was also concluded to be a significant predictor of financial stability among SACCOs. The positive relationship between capital adequacy and financial stability emphasizes the role of maintaining sufficient core capital to risk-weighted assets. Adequate capital buffers enable SACCOs to withstand financial shocks and uncertainties, ensuring sustained operations and stability. This finding underscores the need for SACCOs to adhere to regulatory capital requirements and continually strengthen their capital positions.

The study further concluded that firm size plays a significant role in determining financial stability. Larger SACCOs were found to benefit from economies of scale, which improve their efficiency and ability to generate retained earnings. The positive impact of firm size on financial stability suggests that SACCOs should focus on growth strategies, such as increasing their asset base and expanding their membership, to leverage the benefits associated with size.

Lastly, the study concluded that liquidity does not have a significant direct effect on financial stability. While liquidity is crucial for meeting short-term obligations, its non-significant relationship with financial stability indicates that other factors, such as capital adequacy and deposit levels, play a more critical role. This

finding suggests that SACCOs should focus on optimizing their liquidity management practices while prioritizing deposit mobilization, capital strengthening, and organizational growth to enhance overall financial stability.

**5.1 Recommendations for Policy and Practice**

To enhance the financial stability of deposit-taking SACCOs, policymakers should prioritize measures that support deposit mobilization. Regulatory bodies, such as SASRA, could develop guidelines to encourage SACCOs to implement innovative deposit products and services that cater to diverse member needs. Policies that promote financial literacy among SACCO members can also play a critical role in boosting confidence and increasing deposits. By strengthening deposit mobilization strategies, SACCOs can ensure a stable deposit base that contributes to financial resilience.

Capital adequacy requirements should be a focal point for policymakers and SACCO management. Regulatory authorities should periodically review and enforce minimum capital adequacy thresholds to ensure SACCOs maintain sufficient buffers to manage financial risks. SACCOs, on their part, should adopt prudent capital management practices, such as retaining profits to build reserves and complying with risk-weighted asset regulations. Stronger capital positions will enhance SACCOs' ability to weather economic uncertainties and sustain operations.

SACCOs should pursue growth strategies to take advantage of economies of scale and improve financial stability. Management should consider expanding their asset base, increasing membership, and investing in technology to streamline operations. Larger SACCOs can leverage their size to negotiate better terms with financial partners and reduce operational costs, thereby enhancing their ability to generate retained earnings and sustain financial stability. Strategic planning should incorporate long-term growth objectives to achieve these benefits.

Finally, while liquidity did not have a significant direct effect on financial stability, SACCOs should still focus on effective liquidity management to ensure smooth operations. Policies should encourage SACCOs to maintain optimal liquidity levels that balance short-term obligations and long-term investment opportunities. Training programs for SACCO staff on advanced liquidity management techniques could improve decision-making and resource allocation. By aligning liquidity management with broader financial strategies, SACCOs can support their overall financial health and operational efficiency.

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