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Moderating Effect of Size on Influence of Financial Structure on Performance of Deposit Taking Savings and Credit Cooperative Societies

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Abstract

The objective of the study was to determine whether a firm's size has a moderating effect on the influence of financial structure on the performance of deposit-taking SACCOs. The study used a descriptive research design, targeting eight SACCOs operating in Nyandarua County, Kenya, which SASRA licensed. Data from secondary sources was gathered from the annual reports and financial statements of SACCOs over ten years (2013-2022). A multiple regression model was used without the interaction variable first. Then, a moderated multiple regression model was used to establish the interaction effect of the firm's size on the influence of financial structure on the performance of deposit-taking SACCOs in Kenya. The study's results demonstrated a statistically significant effect of a firm's size on the influence of financial structure on the performance of deposit-taking savings and credit cooperatives. The study indicated that the interaction between SACCO's financial structure and performance is significantly influenced by its size. Therefore, SACCOs need to make sure that they stay in the right size in order to keep their high asset returns. The findings of the study will provide insight to SACCO managers on how financial structure can affect performance so that they can make decisions on optimal financial structure for the success of their SACCOs. The study will make a great contribution to the body of knowledge in the area of financial structure and financial performance of SACCOs. This information will be useful to government policymakers and regulators, such as the SACCO Societies Regulatory Authority (SASRA), in developing regulatory policies.

Key terms: Debt level, equity level, financial performance, firm size, liquidity level.

INTRODUCTION

SACCOs play an important role in pooling financial resources needed for investment and wealth creation. The importance of the subsector to the economy is evidenced by its inclusion in the Kenya Vision 2030 economic blueprint as a driver of economic growth. SACCOs are formed with the aim of mobilising savings and granting loans to their members. However, many SACCOs have not been able to disburse loans due to liquidity problems, thus failing to achieve their objectives for which they were formed. As a result, members from these SACCOs have sought financial services from their competitors, the commercial banks, building societies and housing finance corporations, which sometimes offer unsecured loans to them.

Poor performance of SACCOs as measured by return on assets in Kenya has also been associated with their financing behaviour. The return on assets for most SACCOs is less than 5 per cent, indicating poor performance leading to deregistration or insolvency, with notable examples being Ufundi co-operative SACCO, Transcom co-operative SACCO, Nest SACCO and Green Hills SACCO. The Question asked by many researchers is whether the adoption of an optimal financial structure can help solve this problem. This study, therefore, sought to determine the influence of financial structure on the performance of deposit-taking SACCOs in Nyandarua County in Kenya. The study was guided by four objectives, namely: to examine the influence of equity level, to analyse the influence of debt level, and to assess the influence of liquidity level on the performance of deposit-taking SACCOs operating in Nyandarua County in Kenya.

The study was carried out between August 2023 and March 2024 in Nyandarua County in Kenya, involving the sampled SACCOs registered by SASRA using secondary data from audited reports and financial statements published between 2013 and 2022. This study confined itself to the eight SACCOs operating under the umbrella of SASRA in Nyandarua County. Audited accounts and financial statements for ten years (2013 to 2022) were analysed, as this was within the period that the SACCOs were under the regulatory body. Furthermore, most of these SACCOs rebranded and increased their membership scope in order to serve members from diverse professions to pool more financial resources. These eight deposit-taking SACCOs were regulated by SASRA and audited by credible auditors who were members of ICPAK and thus gave credible information.

This study will provide insight to SACCO managers on how financial structure can influence performance so that they can make decisions on optimal financial structure for the success of their SACCOs. The study will make a great contribution to the body of knowledge in the area of financial structure and performance of SACCOs in Kenya. This information will be useful to government policy makers and regulators, such as the SACCO Societies Regulatory Authority (SASRA), to come up with regulatory policies.

It is noted that the financial structure and performance of SACCOs are areas that have not been widely studied. With the introduction of firm size as an interaction variable on financial structure and performance of SACCOs, the study is interesting and original in nature. This section further relates to past studies, reviews, and results of financial structure and performance. It also includes the theoretical underpinnings of the study.

In order for the reader to find this paper useful and easy to follow, the paper is structured to capture the following areas: literature review, theoretical underpinning, methods and materials, findings and discussion, conclusion and recommendations. It also captures references.

LITERATURE REVIEW

SACCOs are autonomous groups of people established and managed in accordance with cooperative principles (Maina, 2014). The organisations are voluntarily created to provide jointly owned and democratically controlled firms to suit the common social and economic requirements of the members. Okello (2006) and Maina (2014) explained that the principles of cooperatives are embodied in the principles of equity, solidarity, reciprocal care, efficiency, self-help, honesty, social responsibility, democracy, quality, openness, transparency, and accountability. Cooperatives are often volunteer-run, autonomous community organisations that were founded to provide services to their immediate areas.

The International Cooperative Alliance Africa (2020) reported experiencing exponential growth in global membership, surpassing a remarkable milestone of over one billion individuals engaged in cooperative enterprises. Among these members, more than 250 million are actively involved in cooperatives either as earners of income or as dedicated employees, symbolising a vast network of mutual support and economic empowerment. In addition, recent research conducted by the International Cooperative Alliance (2020) highlighted the substantial economic influence wielded by the world's top 300 cooperatives, which boast an impressive collective turnover of $2.5 trillion. This staggering figure not only showcases the financial robustness of these cooperatives but also underscores their substantial impact on the global economy, positioning them as a force to be reckoned with on an international scale.

Savings and Credit Cooperatives (SACCOs) have a rich history that can be traced back to the cooperative movement, originating from the collective efforts of individuals facing common challenges (Ofei, 2001). The impact of this cooperative spirit is truly global, uniting a staggering one billion members worldwide, with a significant portion, totalling 240 million individuals, actively participating in the vibrant SACCO subsector. Further evidence of this cooperative spirit can be found in the fact that there are more than 60,500 credit unions in 109 nations on six continents (Worldwide Credit Unions, 2015). The SACCO concept embodies the power of community-driven financial initiatives, illustrating how pooling resources and fostering mutual support can lead to sustainable economic growth and resilience.

For centuries, cooperation has been deeply ingrained in the cultural fabric of Africa, as communities across the continent have historically united to engage in shared endeavours such as hunting for sustenance, cultivating fertile lands for agriculture, and constructing communal dwellings to provide shelter and security (Sang, 2011). This spirit of cooperation has not only been a practicality but also a foundational aspect of social cohesion and collective progress among African societies. The present-day cooperative movement in Africa continues to uphold these time-honoured values, with a modern emphasis on key principles that underpin its operation and purpose (International Cooperative Alliance Africa, 2020).

These fundamental principles include promoting voluntary membership, fostering democratic decision-making processes within cooperatives, encouraging active economic involvement and benefit-sharing among members, as well as upholding the principles of organisational autonomy and self-reliance. Olando et al. (2012) explained that SACCOs can reach customers in undeveloped or rural areas where banks are not attractive. SACCOs have consequently become firmly established in the financial sectors of numerous nations (Njeru et al., 2015). From 1908 to the 1930s, European settlers established the Lumbwa Cooperative Society, Kenya's first cooperative. Later, Africans were allowed to form cooperatives (Ouma, 2011). The reason for the establishment of these cooperatives was to promote savings and financial independence among Kenyans.

The Cooperative Societies Act of 1966, an essential legislation in Kenya, was instituted to regulate and supervise the establishment, registration, and administration of cooperative societies within the country. Over time, the SACCOs Act underwent several modifications and revisions that greatly expanded the scope of these societies. These revisions expanded their jurisdiction to encompass not only conventional cooperative forms but also different types of financial organisations such as savings and credit societies. These amendments also paved the way for the incorporation of non-financial cooperative models, such as marketing cooperatives that focus on enhancing agricultural produce distribution channels, investment cooperatives that facilitate sustainable financial growth, and transport cooperatives that streamline transportation services (ROK, 2004). The progressive modifications enacted under the Cooperative Societies Act have been instrumental in fostering a diverse and robust cooperative sector in Kenya.

During the 1990s, the Kenyan economy faced tough times marked by high interest rates, prompting a rise in the prominence of financial cooperatives, particularly SACCOs. Banks demanded substantial minimum balances for account opening, compelling middle- and low-income earners to seek refuge in

SACCOs. Consequently, SACCOs introduced front office service activities (FOSA) and ventured into banking operations.

The SACCO Societies Act of 2008 distinguishes between two types of SACCOs in Kenya's financial landscape: deposit-taking (DTS) and non-deposit-taking (NDTS). In terms of a nation's economic development, a SACCO's primary duty is to accept deposits, which act as essential financial middlemen for their members. On the other hand, non-deposit-taking SACCOs primarily concentrate on harnessing non-withdrawable funds to facilitate lending activities among their members (Republic of Kenya, 2012). The Sacco Societies Regulatory Authority's 2017 report revealed that, as of December 31, 2017, Kenya had 177 licensed SACCOs. This statistic underscores the integral role that DTS plays in the financial sector of the country, emphasising its significant presence in catering to the diverse financial needs of the populace (SASRA, 2017).

The 2016 SASRA report highlighted a decline in common-bond structures, leading to a significant increase in the availability of DTSs. Traditionally, DTSs were established around specific bond lineages with strict eligibility requirements based on professions such as banking, farming, education, or law enforcement. There is currently a clear change in direction towards a more inclusive approach, with many SACCOs extending membership opportunities to all adult citizens regardless of their occupation or background. This evolution reflects a broader trend toward democratising access to financial services, supported by technological advancements such as mobile platforms, online payment portals, and the issuance of ATM cards, which have enhanced convenience and accessibility for SACCO members (Ratemo, 2015).

The DTSs have demonstrated an enhancement in performance over the years, with key performance indicators such as assets, capital reserves, deposits, loans, and membership showing positive trends. The number of members of DTSs increased significantly between 2013 and 2015, per an SASRA report from 2016. The membership surged impressively from 2,612,250 in 2013 to 3,145,565 in 2015, indicating a substantial growth rate of 20 per cent. This uptrend in membership was paralleled by a corresponding rise in deposits within the DTSs. Specifically, deposits climbed significantly, starting at Kshs. One hundred seventy-two billion in 2013 and then escalating to Kshs 205 billion in 2014, eventually reaching Kshs 237 billion in 2015. The deposits showcased an average yearly growth rate of 17 per cent over this period. Similarly, the assets of the DTSs also demonstrated an upward trend, increasing to Kshs 301 billion in 2014, Kshs 342 billion in 2015, and Kshs 251 billion in 2013.

This consistent growth in assets underlined the financial stability and expansion of the DTSs within the specified timeframe. Examining the loan portfolio over this time span shows a reasonable average annual growth rate of 13.4 per cent, demonstrating the growing financial services and activities provided by the DTSs. Furthermore, the capital value of the DTSs experienced remarkable growth, recording a substantial 40.8 per cent increase per annum. These figures, which SASRA highlighted in their reports from 2014 and 2015, highlight the remarkable growth and development that DT-SACCOs experienced between 2013 and 2015.

These upward trends clearly accentuate the crucial role played by these financial institutions within the Kenyan economy. Their ability to mobilise savings and offer credit services to the population has positioned them as the foremost cooperative financial institutions on the African continent (Ratemo, 2015). Under the ambitious Vision 2030 economic policy blueprint, the DTS subsector has demonstrated its significance by significantly impacting GDP. According to data from Kenya's Central Bank, in 2013, 2014, and 2015, the DTS subsector contributed significantly to GDP, contributing 8.8 per cent, 5.63 per cent, and 5.59 per cent, respectively. This data clearly outlines the growth trajectory and importance of these institutions in driving economic progress and financial inclusion within Kenya. The financial sector in Kenya saw a decline in GDP due to high interest rates and limited opportunities for growth. The SACCOs for *Milliki, Sukari, Hekima*, and Nandi have all been deregistered. To address these issues, managers are advising a strategic approach to balance debt and equity, leveraging internal and external funding sources for research, development, asset procurement, and operational expansion.

SACCOs have been actively seeking various external funding sources to effectively carry out their mandated activities. This external financing mainly refers to the total amount of debt that comes from outside sources in a SACCO (Saleemi, 2009). A variety of external financing sources are available to Kenya, including donor organisations, commercial banks, the World Bank, the International Monetary Fund, the Kenya National Union of Cooperatives, Credit Associations, and cooperative organisations like the Cooperative Insurance Company, the Africa Confederation of Cooperatives and Credit, and the Kenya National Union of Cooperatives and Credit Association (Ondiek et. al., 2016). Moreover, it is imperative to note that in addition to external funding sources, SACCOs rely on non-withdrawable deposits contributed by their members to further contribute to the debt managed by Deposit-Taking SACCOs (ICPAK, 2016).

The mutually beneficial relationship between member deposits and outside funding highlights SACCO's operational and financial resilience. They therefore support their overarching goal, which is to support and assist members with financial needs while promoting local economic growth in the country.
In the SACCO sector in Kenya, loans and advances make up a significant portion of DTSs' assets. They play a crucial role in the total debt held by deposit-taking SACCO, along with members' non-withdrawable deposits. As such, it is critical to regularly and attentively observe DTSs' financial stability and performance in the country. SACCO Societies Act of 2008, Section 34, lays out strict regulatory restrictions and prohibits DTSs from lending or advancing more money to members. Additionally, DTSs are prohibited from providing credit or loans that are secured by the SACCO Society's core capital. Adherence to these regulations is critical for responsible lending practices and the overall financial sustainability and integrity of DTSs, safeguarding the interests of SACCO members and the stability of deposit-taking SACCO institutions in the Kenyan financial services industry (ICPAK, 2016).

SASRA (2016) reports that deposit-taking cooperatives (DTSs) maintained varying liquidity ratios over the years: 7.76 per cent in 2013, 47.32 per cent in 2014, and a significant increase to 55.9 per cent in 2015. This upward trend suggests improved liquidity management practices, ensuring financial stability and compliance. Unlike traditional banks, DTSs provide eligible members with prompt access to loans, enhancing financial inclusivity and well-being. The stringent liquidity requirements and accessible loans highlight the balance between financial stability and service facilitation, safeguarding depositors' interests and fostering a more inclusive financial ecosystem for Sacco society members (SASRA, 2016).

Performance is the degree to which a business makes profitable use of its resources. Financial ratios and other comprehensive financial analysis techniques, including common-size analysis, can be used to evaluate it (Fabozzi & Peterson, 2003). Return on assets is a statistic used by management and financial analysts to evaluate how well a firm uses its resources to create income. It is also used by investors to evaluate a company's operational efficiency. More than five per cent is regarded as a strong return on assets (ROA), while more than twenty per cent is regarded as outstanding. Cases where there is an increase in ROA indicate that the organisation is adept at converting its assets into earnings, demonstrating solid financial management and operational performance. Investors and other stakeholders can learn a great deal about the company's performance and financial health by tracking the ROA trend over time. Conversely, a decreasing return on assets (ROA) indicates that a company is probably facing issues as a result of poor investments and overspending. Nonetheless, it is never appropriate to compare ROAs across industries (CFI, 2022).

Inadequate management of capital costs within a company can lead to severe financial challenges, potentially pushing the organisation toward insolvency. This mismanagement has been shown by several SACCOs, including *Ufundi,* Transcom, Nest, Green Hills (formerly Chebosobon), and *Maono Daima.* These incidents serve as warning tales, showing how important prudent financial planning is to maintaining the viability of financial institutions. Moreover, by 2020, the repercussions of liquidity issues became even more pronounced, prompting the SACCO Societies Regulatory Authority (SASRA) to take decisive actions. This included the revocation of licenses of some SACCOs like Nandi, *Hekima, Miliki*

SACCO, and *Sukari* SACCO, effectively preventing them from accepting further deposits.

The year 2022 saw SASRA deregistering four SACCOs, including Comoco in Nairobi with assets amounting to Kshs 650 million and deposits of Kshs 350 million, Nyamira Tea (Kshs 210 million), Nanyuki Equator (Kshs 120 million), and Mombasa's *Uchongaji* (Kshs 40 million), due to significant liquidity problems and corporate governance challenges. Furthermore, it is worth noting that not only were SACCOs such as *Ekeza,* Good Life, Moi University, and *Nitunze* deregistered due to liquidity challenges. However, the wider ramifications of their de-registration highlighted how important performance and financial structure are to the SACCO industry. Thus, the goal of this study was to look at the link between the financial structure and performance of deposit-taking SACCOs in Nyandarua County, Kenya. The study was guided by the following null hypothesis;

H_{o1}: Size does not significantly moderate the impact of financial structure on the financial performance of deposit-taking savings and credit cooperative societies.

Theoretical Underpinning

The study was conducted based on the risk-return trade-off theory, pecking order theory and agency theory. The idea of the risk-return trade-off helps to clarify the complex relationship between reward and risk in the context of investing. It demonstrates how risk and return have a calculated relationship that is a result of financial dynamics rather than being a random event. This concept posits a direct correlation between the two, insinuating that as risk undertakings escalate, the potential for returns also rises in tandem. In essence, it paints a vivid portrait of investor behaviour, showcasing their willingness to venture into more precarious territory in pursuit of more lucrative outcomes.

Moreover, the risk-return trade-off concept functions as a guiding principle, a rule of thumb that shapes investors' decisions and strategies. This assumption is part of the Modern Portfolio Theory, which argues that all investors are risk-averse and will prefer a portfolio with lower risk over two portfolios with the same rate of return (Markowitz, 1952). The theory was used to evaluate the financial structure of SACCOs to establish whether or not the investor can expect a reasonable return considering the risks faced. The theory was useful in investigating the behaviour of investments in SACCO securities with too high a risk relative to the price, which normally causes investors to sell quickly, resulting in a decrease in the price of such shares until the risk matches the security's return, at which point the price will reach equilibrium.

The second theory was the trade-off theory. For this theory to be valid, businesses would need to maintain debt levels that are significantly higher than what is typically seen in the real world of business operations. This insight suggests that, when analysing the financial dynamics of firms, the interplay between tax implications, bankruptcy rates, and debt levels becomes a crucial factor in understanding how firms navigate economic challenges and make strategic financial decisions.

Welch (2004) observed a noteworthy deviation within corporations based in the United States regarding their approach to managing the debt-equity ratio. Contrary to the commonly accepted trade-off theory, these companies demonstrated a tendency to deviate from the traditional practice of issuing and repurchasing debt and equity to adjust their financial structures. This behaviour, as highlighted by Welch, not only challenges the conventional wisdom but also sheds light on the complex decision-making processes that influence corporate financial strategies. By avoiding the expected trade-off model, these corporations exhibited a level of financial agility that warrants further examination and analysis in the realm of corporate finance practices. Welch's findings present a compelling case for researchers to investigate further how companies navigate the intricate balance between debt and equity in their pursuit of optimal financial performance. The reasons behind the financial structure of these corporations were largely unknown, according to Welch (2004). Despite facing criticism, the trade-off theory remains essential in understanding financial structure because of its flexible nature (Ghazouani, 2013).

Berle and Means (1932) explained the agency theory and highlighted how a decline in equity ownership in large organisations was leading to a growing divide

between ownership and control. This advancement made it possible for managers to put their own interests ahead of increasing shareholder returns. Due to their ownership stake in the company, top executives have an incentive to increase its value. Corporate managers base their judgments on a range of environmental elements, both internal and external, that influence the operations of their organisations. The board of directors is made up of professionals and industry experts, and holds managers accountable. Serving the interests of the shareholders first and ensuring transparency, ethics, and long-term viability is their primary duty (Roshan, 2009; Berk & DeMarzo, 2007).

According to this concept of financial management, highly profitable firms tend to borrow less as profitability and debt ratio show a negative correlation. These firms prioritise internal funds for operations to maintain financial flexibility and carefully assess dividend payout ratios based on investment opportunities. They consistently implement dividend policies despite unpredictable profitability and investment choices. This allows them to effectively balance their capital structure and investment decisions, positioning them favourably in the business landscape (Myers & Majluf, 1984).

If the circumstances are reversed, the company will first tap into its cash balance before opting to liquidate marketable securities rather than cutting dividends (Brealey et al., 2008). Subsequent research in the financial jurisdiction has brought to light findings that challenge the conventional assumptions put forth by pecking order theories, indicating a more nuanced understanding of how businesses operate. For instance, Tudose's (2012) analysis shed light on the relative impact of adverse selection costs on firms of different sizes, revealing that larger corporations tend to have a comparative advantage in mitigating such expenses in contrast to their smaller counterparts.

This insight not only adds layers of complexity to the traditional pecking order theory but also prompts a re-evaluation of how financing decisions are made within businesses. By investigating the financing preferences of SACCO managers, a financial institution that serves as a crucial financial intermediary for their members, the pecking order idea starts to take on greater weight. According to this principle, businesses should give internal finances priority over outside funding sources, which serves as a guiding principle for these managers as they navigate the intricate landscape of financial decision-making. This preference for internal funds over external options not only stems from a desire to maintain control and autonomy over financial operations but also reflects a broader trend in the industry, where businesses often opt for self-sufficiency and prudence in managing their financial resources.

METHODOLOGY

The study applied a descriptive research design on eight deposit-taking SACCOs operating in Nyandarua County, in Kenya, using a census approach. Secondary data was gathered from the published financial statements of the deposit-taking SACCOs for the financial years 2013-2022. Prior to data collection, the SACCO managers were contacted, who gave permission for their annual reports and financial statements to be used. The data collected was protected by encryption so that nobody could access it without a password. Inferential data analysis was done, and the STATA statistical package was used to analyse the data. Financial structure was represented by equity level, debt level and liquidity level. First, multiple regression analysis was done where the independent variables were equity level, debt level and liquidity level. Performance was the dependent variable. The results were shown in a table.

Multiple regression model used was $Y = \beta_0+\beta_1X_{1t}+\beta_2X_{2t}+\beta_3X_{3t}+\varepsilon_t$ where β_0 was the constant, β_1 β_2 β_3 were the coefficients of the regressor variables, X_{1t} was equity/total debts (equity level) at time t, X_{2t} was total debts/total assets (debt level) at a time t, X_{3t} was current assets/current liabilities (liquidity level) at time t and ε_t was error term at time t. The second step was to introduce firm size to moderate the financial structure on performance, and the results were shown in a table. A moderated multiple regression model was $Y = \alpha+\beta_1X_{1t}+\beta_2X_{2t}+\beta_3X_{3t}+\varepsilon_t$, where Y was performance, α was the least squares estimate of the intercept, β_1 represented the least squares estimate for the population coefficient of X1, β_2 was the coefficient of X2, β_3 was the coefficient of X3, and ε_t was the error term. Multi-collinearity, normality, heteroscedasticity and autocorrelation tests were conducted before

regression analysis to avoid spurious regression results from being obtained.

FINDINGS AND DISCUSSION

Multiple Regressions

The performance of deposit-taking SACCOs was found to be significantly influenced by levels of debt, equity, and liquidity, according to the F-statistic (F = 20.944, p = 0.000<0.05). The null hypothesis that there was no statistically significant effect of financial structure on the performance of deposit-taking SACCOs in Kenya was rejected by the study's p-value of 0.000, which was less than 0.05 and showed that financial structure had a statistically significant impact on performance. A regression model in the form of $Y = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + \varepsilon t$ was created by analysing time series data. The model is Y = 0.023 + 0.400 (equity level) + 0.249 (debt ratio) - 0.018 (liquidity ratio) when the regression coefficients are substituted. With β0 = 0.023, it indicates that the return on assets (ROA) was positive at 0.023 in the absence of the equity level, debt ratio, and liquidity ratio, possibly because of other financial factors that were not taken into account.

In deposit-taking SACCOs, a unit rise in the debt ratio results in a 0.249-unit performance gain, whereas an increase in the equity level results in a 0.4-unit performance improvement. In contrast, every unit increase in the liquidity ratio reduces performance by 0.018 units. Statistical study revealed a substantial correlation between the performance of deposit-taking savings and credit societies and equity level, debt ratio, and liquidity ratio.

The computed p-values, which are significantly lower than the traditional cutoff point of 0.05, confirm the strong correlation between these financial variables and the institutions' performance. Given these findings, stakeholders can take prompt action to improve the institutions' performance and stability. The study highlights the value of these financial factors and the necessity of a data-driven strategy to improve the operational effectiveness and long-term viability of financial institutions. The results of the study agreed with the results of a study carried out by Mwaniki et al. (2018). The study had found a positive and significant relationship between equity financing, short-term financing, members' deposits and the financial performance of deposit-taking SACCOs operating in Kenya.

Table 1: Multiple Regression Output of Financial Structure on Performance

1. Dependent Variable: Performance				
2. Independent Variables		3. Coefficient	4. t-Statistic	5. Prob.
6. Constant		10. 0.371	14. 0.266	18. .000
7. Equity Level		11. 0.443	15. 0.139	19. .000
8. Debt Level		12. 0.512	16. 7.569	20. .000
9. Liquidity Level		13. -0.339	17. -1.039	21. .002
22. R-value	0.8360	29.	30.	31.
23. R-squared 0.699				
24. Adjusted R-squared 0.696				
25. Durbin-Watson Statistic	1.666			
26. F-Statistic	20.9442			
27. Probability	0.000			
28. Standard error .533306				

Moderating Effect of Firm Size on Influence on Financial Structure and Performance

The study's fourth goal was to examine the effect of an organisation's size on the complicated interaction between financial structure, deposit-taking savings, and credit cooperative performance. A detailed analysis of the regression model coefficients displayed in Table 2 post-moderation led to a noteworthy

discovery. It became apparent that across the spectrum of independent variables - namely, equity level, debt level, and liquidity level - each exhibited a notable trend. Specifically, the beta coefficients painted a picture of positivity and statistical significance.

The equity, debt, and liquidity figures were 0.663, 0.723, and 0.102, respectively. These values were below the 0.05 threshold and demonstrated statistical significance at p = 0.000. Given that all three variables exhibit statistical significance at the conventional cutoff point of p = 0.05, this emphasises the crucial significance and notable influence of these variables.

A moderated multiple regression (MMR) model (Model 2) was used to determine the interaction effect and whether company size had a significant impact on the link between financial structure and performance of deposit-taking SACCOs. Firm size was shown to significantly affect the association between financial structure and deposit-taking SACCO performance for all p-values less than 0.05. An example of the MMR statistical model is as follows:

$Y = \alpha + \beta_1 X + \beta_2 Z + \beta_3 X*Z + \varepsilon$ (Model 2) Where;
Y= Performance
Z Firm Size (Moderator)
α is the least squares estimate of the intercept
β_1 is the least squares estimate of the population regression coefficient for Z
β_2 is the coefficient of Z
β_3 is the coefficient of X*Z and ε is the error
After moderation, the multiple regression equation was as follows.
Performance = 2.946 + 0.663 Equity Level + 0.723 Debt Level + 0.102 Liquidity Level

Table 2: Multiple Regression Output of Financial Structure on Performance After Moderation

Dependent Variable: Performance				
Independent Variables		Coefficient	t-Statistic	Prob.
Constant		2.946	7.7322	.000
Equity Level		0.663	3.299	.000
Debt Level		0.723	3.615	.000
Liquidity Level		0102	1.700	.000
R-value	0.851			
R square	0.724			
Adjusted R-squared	0.718			
Durbin-Watson Statistic	1.617			
F-Statistic	16.4423			
Probability	0.000			
Standard error	.62224			

CONCLUSION AND RECOMMENDATIONS

Conclusion: It was found that the equity level of SACCOs in the county that takes deposits has a major impact on how well they perform. Furthermore, the study demonstrated that deposit-taking SACCOs were functioning within the established equity thresholds.

Evaluating the relationship between debt levels, savings from deposits, and the performance of credit cooperative societies was our second research goal. A significant correlation was observed between the amount of debt and the performance of SACCOs. Notably, it was discovered that the debt levels of the deposit-taking SACCOs were within allowable bounds. Examining the connection between deposit-taking SACCOs' performance and liquidity levels in Kenya, our research found that they were statistically significantly correlated.

The study's conclusions indicate that the SACCOs that accepted deposits kept their liquidity at the suggested levels. On the firm's size moderating effect on the influence of financial structure on the performance of deposit-taking savings of credit cooperative societies, the findings indicated a significant correlation between a company's size and the influence of its

financial structure on the performance of deposit-taking savings and credit cooperatives in Kenya.

Recommendations: SACCOs that accept deposits need to analyse their equity ratios to determine their impact on financial performance. Typically, higher equity ratios signify that a SACCO has efficiently financed its asset needs with minimal debt. The equity ratio measures the amount of leverage and, in turn, the degree to which SACCO can finance its asset requirements without taking on debt by comparing its total equity and assets, both current and non-current.

SACCOs also need to keep a careful eye on the debt ratio, which is a crucial indicator of their financial health and helps them make wise investment choices. A SACCO that has a high debt ratio may be riskier and more susceptible to economic downturns. Alternatively, a decreased debt ratio could suggest that a company is financially stable and bears a lower risk level. Savings and credit cooperatives that receive deposits should employ liquidity ratios to analyse the current assets at their disposal for settling obligations, offering valuable insights into the cooperative's capability to manage short-term debts.

Furthermore, the amount of liquid funds available to a SACCO for settling short-term expenses directly impacts its performance. A SACCO's ability to thrive and grow is ultimately determined by its performance, which is a measure of the organisation's financial stability in terms of efficient management, creditworthiness, operational effectiveness, return on investments, profits from operations, and return on assets. Studies have indicated that the interaction between a SACCO's financial structure and performance is significantly influenced by its size. Therefore, SACCOs need to make sure that they stay in the right size in order to keep their high asset returns. A study of financial structure and its effect on the performance of SACCOs will provide insight to SACCO managers on how financial structure can affect performance, so that they can make decisions on optimal financial structure for the success of their SACCOs.

The study will make a great contribution to the body of knowledge in the area of financial structure and financial performance of SACCOs in Kenya. It will reconcile theory to reality, while its findings will be used for further studies in the field in future. This will be of great importance to scholars and researchers in the field of credit and finance. This information will be useful to the government policy makers and regulators, such as the SACCO Societies Regulatory Authority (SASRA), to come up with regulatory policies.

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