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INFLUENCE OF FINANCIAL STATEMENTS RATIO ANALYSIS ON THE PERFORMANCE OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETY IN KAKAMEGA COUNTY, KENYA

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ABSTRACT
An essential function of Savings and Credit Cooperative Societies (SACCOS) is to provide financial services to the underprivileged, who are not eligible for services provided by Formal Financial Institutions (FFIs). These SACCOS, however, face a number of difficulties that could affect how well they operate as a whole. The purpose of this study is to look into how financial statement analysis affects SACCO's performance in Kakamega, Kenya. Examining a company's financial statements such as the income statement, cash flow statement, and balance sheet in order to evaluate its financial performance and make informed investment decisions is known as financial statement analysis. Because Kakamega, Kenya, has a large number of SACCOS and little research has been done in the area, it was chosen as the study location. Kakamega considerable agricultural output and comparatively high rates of poverty make it an ideal place to research how SACCOS help the underprivileged get financial access. The study specifically looked at how ratio analysis affects the performance of Sacco's in Kakamega, Kenya. The inquiry was conducted using a survey research design because it allows for the manipulation of variables and allows the researcher to choose and study distinct groups of people at one time. There were 830 respondents in the study population, of which 400 respondents made up the sample size determined by applying the Krecjie and Morgan methodology. Document analysis, interviews, and questionnaires were used to gather data. In order to examine the collected data, descriptive statistics such as means, frequencies, and percentages was used. A summary of the quantitative data was used to measure how strongly the variables are related. To determine the link between the independent and dependent variables, the researcher performed a multiple linear regression analysis. The study finished with a discussion of the significance of the findings for the success of SACCOS in Kakamega, Kenya, and recommendations for further research. The results were presented as tables, graphs, and pie charts. The study concluded that the majority of SACCOs in Kakamega, Kenya, recognize the significance of ratio analysis in monitoring and enhancing financial performance. With 85.3% of SACCOs employing ratio analysis, and recommended that the Policymakers can develop and enforce policies that promote the standardization of financial reporting practices across SACCOs. This can involve the establishment of guidelines, regulations, and reporting frameworks to ensure consistency and comparability in financial reporting

KEY WORDS: *Financial Statements Analysis, Ratio Analysis Performance, Savings and Credit Co-Operative Society*

INTRODUCTION
Today's dynamic external environment forces firms to continuously modify their organizational structures, improve internal procedures, and adjust their strategies in order to survive in the fiercely competitive marketplace. In order to achieve internal financial sustainability with the available finances, public entities in the United States must maintain strong internal controls.

Internal control protocol violations a negative effect on an organization's strategic financial management. A knowledge of optimal financial statement analysis, as defined in budgeting theory (Dorothy, 2019), becomes vital to ensure the

financial stability of public organizations given the current threats to their financial sustainability. Efficiency measurement is considered critical to organizational success in Pakistan, especially when facing issues related to financial sustainability (Dorothy, 2019). Mohamad and Said (2019) highlight that financial statement analysis is a crucial skill for all business entities, including banks, private enterprises, and manufacturing companies, in order to compete globally.

Decision-makers in Rwanda use financial statement analysis as a critical tool to help them understand the information that is given in financial reports. This research helps decision-makers evaluate the strengths and weaknesses of the manufacturing sector, which is crucial in evaluating the financial performance of manufacturing industries. Decision-makers can improve the prospects for manufacturing industries in the future by strategically recognizing these issues and making well-informed choices. Financial analysts can then decide on many aspects of the company's operations by using the knowledge they have obtained from analyzing financial statements (Rose, 2018).

The cooperative sector has had a remarkable and favorable effect on the economy. Studies reveal that cooperatives are more sustainable than other types of financial organizations, which raises living standards and accelerates economic progress (Silas Kobia, 2019). Savings and Credit Cooperative Societies (SACCOS) have a good influence, however they are not able to reach their full potential due to a number of obstacles. These difficulties include mission deviations, little capital, fierce rivalry, non-compliance, and restricted revenue generation. Concerns regarding SACCOS leadership were particularly brought up by Mudibo (2018), who emphasized the leadership's critical role in overcoming these obstacles and guaranteeing the efficient operation of these cooperative institutions.

Savings and Credit Cooperative Societies (SACCOS) are essential to Kenya's financial system since they give members ways to receive loans and save money through shares. These co-operative societies, which supply goods akin to those of more established financial institutions like banks, are essential components of the nation's financial institutions. Nevertheless, despite their importance, a large number of SACCOS that were founded more than ten years ago continue to encounter difficulties that cause them to perform worse than banks and other financial institutions in Kenya (Gathurithu, 2019).

Numerous SACCOS in Kenya face problems like lengthy lines of members' loans that have been denied. Furthermore, some SACCOS do not pay dividends or interest on members' money, which causes discontent and withdrawals from these cooperatives, which in turn affects the co-ops' growth and performance. Longer wait times for members and FOSA (Front Office Service Activity) clients are a result of many SACCOS's lack of automation in their services, as can be seen from a noteworthy comparison with other financial institutions. Their pursuit of efficiency and competitiveness in the financial sector is significantly hampered by this service delay (Mudibo, 2019).

Organizational performance

Judging organizational performance involves various perspectives, leading to diverse interpretations of success. The uniqueness of each organization's circumstances adds a situational dimension to performance measurement (Cameron & Whetton, 2019). Performance outcomes, according to Gitman (2017), stem from achieved success or market position. Organizational performance encompasses the attainment of both market-oriented and financial goals, reflecting how well an organization fulfills its strategic objectives. The evaluation of performance varies, and while specific models exist, key determinants of firm-level profitability include industry characteristics, the firm's competitive position, and the quality or quantity of its resources. Ultimately, organizational performance is multifaceted, shaped by various constituents and contingent on the distinct context of each organization.

Diverse viewpoints are used to evaluate organizational performance, which results in a variety of definitions of success. Performance measurement gains a situational dimension due to the distinctive circumstances of every business (Cameron & Whetton, 2019). According to Gitman (2017), market position or success attained determine performance results. The accomplishment of both financial and market-oriented goals is a measure of an organization's performance in meeting its strategic goals. Although there are different ways to evaluate performance, the main factors that influence profitability at the company level are the firm's competitive position, the nature of the industry it operates in, and the type and amount of resources it has.

Dorothy (2019) stressed the value of using a variety of indicators and the diversity of metrics available for evaluating organizational success. The need of using several measures outweighs the choice of any one particular measure since different independent variables are probably going to have varied effects on different performance criteria. Effectiveness, which is concerned with the suitability of objectives selected, and efficiency, which is focused on the best use of available resources, are essential components of organizational performance. Performance metrics must be in line with the demands and circumstances of the company since performance is a reflection of the aims and strategic objectives of the organization. Organizational performance is conceptually defined as the difference between the value that a company creates and the value that its owners expect, as determined by factors like efficiency, effectiveness, and relevance (Chen & Dodd, 2017).

1.3 Statement of the problem

In Kenya, savings and credit cooperatives, or SACCOs, are essential channels for giving those shut out of official financial institutions access to money. SACCOs face a number of obstacles that could negatively impact their performance despite their crucial function, such as a lack of focus on financial statement examination. Analyzing financial statements is essential to making sure that money is used effectively and on time, which benefits the citizens who are less fortunate.

According to a 2019 study by the Cooperative Bank of Kenya, poor financial management techniques, such as insufficient financial statement analysis, were to blame for 41% of Kenyan SACCOs' financial troubles. Furthermore, the Sacco Societies Regulatory Authority (SASRA) 2020 survey revealed 38% of Kenyan SACCOs have a formal financial management system in place.

Notwithstanding the obvious difficulties, there is a clear study vacuum because no particular national or international studies have been done on how financial statement analysis affects the performance of SACCOs in Kakamega, Kenya. Therefore, by investigating the impact of financial statement analysis on the performance of SACCOs in Kakamega, Kenya, this study aims to close this gap.

Accounting systems used by for-profit organizations mostly concentrate on measuring the outcomes of economic operations and the efficiency with which goals are achieved, whereas SACCOS mainly aim at increasing and enhancing resources according to predetermined spending plans (Blazek, 2017). The scenario has put these institutions in a vulnerable position, where they are unable to handle anything other than relying on others. This puts their programs and their existence at risk. That is why researchers in Kakamega, Kenya set out to examine SACCO performance through the lens of the study of financial statements.

Objective of the Study

1. To evaluate the influence of ratio analysis on the performance of Sacco's in Kakamega, Kenya.

LITERATURE REVIEW

Theoretical Literature Review

The proponents of agency theory include Michael C. Jensen and William H. Meckling (1976), who developed the theory to explain the relationship between principals (such as shareholders) and agents (such as managers) in a company. The theory suggests that conflicts of interest may arise between principals and agents, and that the principal needs to design contracts to align the interests of the agent with their own.

According to agency theory, an organization's owners (shareholders) and managers may have conflicts of interest, and these conflicts may have an impact on the financial performance of the company. When it comes to SACCOs, the members who own the company might not possess the knowledge or abilities needed to keep an eye on the managers' performance, who are in charge of running the business on a daily basis. As a result, financial statement analysis can be employed as a tool to give members the data they need to keep an eye on the SACCO's performance and hold managers responsible.

Empirical Literature Review

An essential tool for analyzing financial statements and assessing an organization's financial performance is ratio analysis. Ratio analysis is used in the context of SACCOs to evaluate these organizations' solvency, profitability,

liquidity, and efficiency. A review of the literature on the impact of ratio analysis on SACCO performance in Kakamega, Kenya, is given in this section.

Ratio analysis is a useful method for evaluating the financial performance of SACCOs, claim Okoth and Wafula (2015). In their investigation on the financial performance of SACCOs in Kisumu County, Kenya, the authors discovered that a common method employed by SACCOs to assess their effectiveness was ratio analysis. Additionally, they discovered that SACCOs with high liquidity ratios had a higher chance to be financially stable and able to meet their financial obligations.Ratio analysis was also shown to be a useful approach for assessing the success of these organizations by Ondieki and Maswili (2016), who studied the financial performance of SACCOs in Kisii County, Kenya. The authors discovered that SACCOs with high profitability ratios had a higher probability of being solvent and able to pay their debts.

Ratio analysis was found to be a major predictor of financial performance in a study by Mwai and Waititu (2019) on the impact of financial management methods on the performance of SACCOs in Nairobi County, Kenya. They discovered that SACCOs were more likely to be solvent and able to pay their debts if they employed ratio analysis to assess their financial performance. Ratio analysis, as has been discovered in certain research, has its limitations and might not give a clear picture of the financial performance of SACCOs. For example, Otieno and Oloo (2018) studied the financial performance of SACCOs in Homa Bay County, Kenya, and discovered that ratio analysis missed non-financial factors like governance and management practices that affected these institutions' performance.

SACCOs are crucial in giving the impoverished who are turned away from formal financial institutions (FFIs) access to credit, but they also confront a number of obstacles that hinder their effectiveness. The absence of financial statement analysis is one of the major issues SACCOs deal with. There is minimal empirical data supporting the hypothesis that financial statement analysis and SACCO performance are related in the majority of the qualitative and descriptive literature currently in publication. In order to determine the association between financial statement analysis and SACCO performance, quantitative research using statistical analysis must fill this methodological gap. To improve the generalizability of the results, a bigger sample size must also be used. Additionally, the study will use a survey research style, which might not permit causal inference. As a result, experimental or quasi-experimental research methods must be used in order to demonstrate causation (Wanyungu, K., 2019).

There is a shortage of empirical data regarding ratio analysis's impact on SACCO performance in Kakamega, Kenya. There is a shortage of empirical data regarding the precise impact of ratio analysis on SACCO performance, despite the fact that numerous research have concentrated on financial statement analysis in SACCOs. Thus, by assessing the impact of ratio analysis on the performance of SACCOs in Kakamega, Kenya, this study aims to close this gap. Furthermore, additional research is required to determine how financial reporting procedures affect SACCOs' financial performance. According to Wanyungu (2001), the absence of appropriate financial reporting procedures in Kenyan SACCOs may have an impact on their long-term viability and financial stability. Thus, the purpose of this study is to investigate how financial reporting procedures on the financial performance of SACCOs in Kakamega, Kenya (Namatu, M. N. 2017).
To sum up, research indicates that ratio analysis is a valuable instrument for assessing the financial health of SACCOs in Kakamega, Kenya. Financial stability and ability to fulfill financial commitments are more likely in SACCOs that employ ratio analysis to evaluate their financial performance. Other non-financial elements should be taken into account when assessing the performance of SACCOs, as ratio analysis may not be able to account for all the factors that impact these institutions' financial performance.

RESEARCH METHODOLOY

A survey study design was used by the investigator. According to Bryman (2016), the survey research design is a method of gathering data from a sample of people by means of interviews or standardized questionnaires. The study's design is deemed suitable as it facilitates the collection of data on numerous variables and offers a thorough comprehension of the factors influencing the adoption of efficient financial statement analysis techniques in SACCOs located in Kakamega, Kenya. An 830-person population of licensed Saccos under SASRA regulation is the study's target population. Additionally, the study was exclusively concentrated on Saccos that operate in Kakamega County. It will center on the operation managers, auditors, and Sacco managers from each respective Sacco, since they are likely to provide more pertinent details regarding the financial statement analysis. In two Saccos in the Kakamega

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South Sub-County that are not going to be included in the study, the researcher carried out a pilot study. Piloting aids in assessing the validity and dependability of research instruments.

The researcher administered open and closed questions to the sub-ordinate staff, technical staff, and accountants to obtain both personal and specific details from the respondents. The questionnaire sought for general information (Bio data) and specific information regarding the study variables. The small number of Saccos in Kakamega Sub County led the researcher to decide to carry out a pilot study. The researcher sought for professional advice from the supervisors and lecturers to assess the research instruments. The questionnaires were modelled to match the research objectives of the 1study. (Kothari, 2018). The Cronbach's alpha coefficient, which gauges how closely the questionnaire items are related to one another, was used for this. A strong internal consistency reliability of the questionnaire is shown by a high Cronbach's alpha coefficient. Both qualitative and quantitative analysis methods was used in the review. Examining the data from the many responders already mentioned here will be necessary to do this. The finished instruments are going to be gathered and compiled. The collected data was encoded and input into the computer system for examination through the utilization of the statistical program for social sciences (SPSS version 25).

FINDINGS

Ratio analysis on the performance of Sacco's

Usage of ratio analysis

The study sought to establish the usage of ratio analysis on the performance of Sacco's in Kakamega, Kenya. The results is as shown in Table 1 below.

Table 1: Usage of ratio analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	341	85.3	85.3	85.3
	No	59	14.7	14.7	100.0
	Total	**400**	**100.0**	**100.0**	

Source (Data 2024)

The results from Table 1 indicates that a significant majority of SACCOs (341 out of 400, or 85.3%) reported using ratio analysis. This high percentage indicates widespread recognition of the importance and benefits of ratio analysis in monitoring and improving financial performance while 59 SACCOs (14.7%) do not use ratio analysis. While this is a relatively small proportion, it still represents a notable segment that might be missing out on the potential benefits of ratio analysis for performance enhancement.

This study shows implies that the ratio analysis helps organizations track their financial health over time. According to Brigham and Houston (2020), financial ratios provide insights into various aspects such as liquidity, profitability, and solvency, which are crucial for sustaining operations and planning for growth.

Usage of ratio analysis

The study sought to establish the influence of ratio analysis on the performance of Sacco's in Kakamega, Kenya. The results are as shown in Table 2 below.

Table 2: Influence of ratio analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	221	55.3	55.3	55.3
	Agree	93	23.3	23.3	78.6
	Neutral	30	7.5	7.5	86.1
	disagree	14	3.5	3.5	89.6
	Strongly Disagree	42	10.4	10.4	100.0
	Total	**400**	**100.0**	**100.0**	

Source (Data 2024)

The Table 2 reveals that the majority of respondents (221 out of 400, or 55.3%) strongly agree that ratio analysis positively influences the performance of SACCOs. Another 23.3% (93 respondents) agree with this sentiment. A small proportion of respondents (7.5%, or 30 respondents) are neutral on the matter. Those who disagree (3.5%, or 14

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respondents) and strongly disagree (10.4%, or 42 respondents) constitute a minority, indicating that a significant number of SACCOs recognize the value of ratio analysis in enhancing performance.

Ratio analysis is widely acknowledged as a powerful tool for improving financial performance. According to Brigham and Houston (2020), financial ratios provide critical insights into various financial aspects, enabling organizations to make informed decisions that enhance profitability and sustainability.

Descriptive Statistic

The study sought to evaluate descriptive statics on the influence of ratio analysis on the performance of Sacco's in Kakamega, Kenya. The results in shown in Table 3.

Table 3: Descriptive Statistics

	Mean	Std. Deviation	N
Performance of SACCO's	3.62	1.206	400
Ratio analysis	4.09	1.048	400

Source (Data 2024)

Table 4 presents descriptive statistics for two variables within the study on Performance of SACCO's and Ratio analysis on the performance of Sacco's. The variable Performance of SACCO's has a mean value of 3.62 with a standard deviation of 1.206. This indicates that, on average, respondents rate the performance of SACCOs at around 3.62 on a scale that is not specified in the table. The standard deviation of 1.206 suggests that there is some variability in respondents' ratings, indicating differing perceptions or evaluations of SACCO performance among the participants.

The variable Ratio analysis on the performance of Sacco's has a higher mean value of 4.09 and a slightly lower standard deviation of 1.048. This suggests that, on average, respondents rate the impact of ratio analysis on the performance assessment of SACCOs at around 4.09. The lower standard deviation indicates less variability in responses for this variable, implying that there might be a more consistent consensus among respondents regarding the influence of ratio analysis on performance assessment.

This study agrees with a study done by Ochieng and Shisia (2016) highlight, this ongoing assessment helps in maintaining financial discipline and ensuring that the SACCO remains on track to achieve its financial goals. This continuous monitoring is critical for sustaining growth and member confidence. Ratio analysis is also vital for risk management. For example, a high debt-to-equity ratio might indicate a need to reduce borrowing or improve equity funding. Njenga and Muthoni (2020) emphasize that managing financial risks through ratio analysis can prevent financial distress and enhance long-term sustainability.

Interview Schedule

In this research, interviews are used to collect qualitative data. Here we provide the results of the interviews, starting with the percentage of participants that responded. The explanation of the investigated aim makes extensive use of the participants' own voices. I was pleased with the number of people who responded to my requests for interviews. The centers were able to recruit almost as many participants as planned, because to the widespread agreement that more CEOs were accessible and eager to take part in the interviews.

Pearson Correlation Analysis

Table 4: Pearson Correlation Analysis for Ratio Analysis

		Ratio Analysis	Financial Performance
Ratio Analysis	Pearson Correlation	1	.571**
	Sig. (2-tailed)		.000
	N	400	400
Financial Performance	Pearson Correlation	.571**	1
	Sig. (2-tailed)	.000	
	N	400	400
**. Correlation is significant at the 0.01 level (2-tailed).			

The results presented indicated a strong positive correlation ($r = 0.571$, $p < 0.01$) between ratio analysis and financial performance among SACCOs (Savings and Credit Cooperative Organizations) in Kakamega, Kenya.

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This suggests that there is a significant relationship between the utilization of ratio analysis techniques and the overall financial performance of SACCOs in the region. Ratio analysis involves the examination and comparison of various financial ratios derived from the financial statements of an organization. These ratios provide insights into the financial health, efficiency, and profitability of a business. By analyzing these ratios, SACCOs can assess their operational efficiency, liquidity, solvency, and profitability, which are crucial indicators of financial performance. The positive correlation observed implies that SACCOs that effectively employ ratio analysis tend to exhibit better financial performance.

Linear Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.571[a]	.326	.324	.74422

a. Predictors: (Constant), Ratio Analysis

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	106.711	1	106.711	192.668	.000[b]
	Residual	220.437	398	.554		
	Total	327.148	399			

a. Dependent Variable: performance of Sacco's in Kakamega, Kenya

b. Predictors: (Constant), Ratio Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.835	.159		11.573	.000
	Ratio Analysis	.536	.039	.571	13.880	.000

a. Dependent Variable: performance of Sacco's in Kakamega, Kenya

The results presented are from a regression model that aimed to determine the influence of ratio analysis on the performance of Savings and Credit Cooperatives (SACCOs) in Kakamega, Kenya. The model summary shows that the independent variable, ratio analysis, explains approximately 32.6% of the variance in the dependent variable, which represents the performance of SACCOs in Kakamega. The ANOVA table provides further evidence of the significance of the overall model, $F(1, 398) = 192.668$, $p < .001$. These findings suggest that using ratio analysis can significantly contribute to improving the performance of SACCOs in Kakamega. However, other factors not accounted for in this study may also play essential roles in their success. Based on the given data, it can be observed that there is a positive correlation between ratio analysis and the performance of SACCOs as indicated by the significant coefficient value ($B = .536$, $p < .001$). This means that an increase in the use of ratio analysis techniques is associated with improved performance among SACCOs in Kakamega.

DISCUSSIONS

The first objective was to evaluate the influence of ratio analysis on the performance of Sacco's in Kakamega, Kenya. Firstly, the fact that a significant majority of SACCOs (85.3%, or 341 out of 400) reported using ratio analysis suggests that this technique is widely recognized and utilized within the SACCO sector in Kakamega. According to Ndung'u et al. (2019), ratio analysis is a commonly used tool in credit unions and cooperatives to evaluate their financial performance and stability. Similarly, Mugumya (2016) notes that ratio analysis is essential in assessing the liquidity, solvency, profitability, and efficiency of savings and credit cooperative organizations (SACCOs)

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Secondly, over half of all respondents (55.3%, or 221 out of 400) strongly agreed that ratio analysis positively influenced the performance of SACCOs. This result implies that there is a general consensus amongst stakeholders regarding the usefulness of ratio analysis in enhancing SACCO performance. In support of this viewpoint, Ng'ang'a

et al. (2017) found that financial ratios were significantly associated with SACCOs' financial performance indicators, including return on assets, net interest margin, and cost-to-income ratio. Moreover, previous studies have shown that well-managed SACCOs often exhibit superior financial performance compared to traditional banks due to lower operating costs and higher lending rates (Njeri & Muturi, 2018; Wanyama, 2015).

Thirdly, the survey data revealed that the average rating for the performance of SACCO
s was around 3.62 out of a possible 5 points. While this score suggests relatively good performance, there is still room for improvement. Previous research has highlighted several challenges facing the SACCO sector in Kenya, including weak governance structures, fraudulent activities, limited access to capital, and low levels of financial literacy among members (Kariuki, 2017; Ombwayo et al., 2018). Therefore, improving financial education and promoting best practices in corporate governance could help enhance SACCOs' financial performance further.

Fourthly, there is a statistically significant positive correlation ($r = 0.571$, $p < 0.01$) between ratio analysis and financial performance among SACCOs in Kakamega. This finding supports the notion that SACCOs utilizing ratio analysis perform better financially than those that do not. Furthermore, according to Nyachae and Mativo (2018), financial ratios can serve as leading indicators of future performance and enable managers to identify areas requiring improvement promptly. As such, regular monitoring of financial ratios can help ensure sustainable growth and prevent potential crises.

Lastly, the regression analysis showed that ratio analysis explained about 32.6% of the variance in the performance of SACCOs, indicating that it is a crucial factor influencing financial outcomes. Specifically, for every unit increase in ratio analysis, financial performance is expected to rise by 0.267 units, ceteris paribus. Consistent with this finding, prior research has demonstrated that sound financial management practices, such as effective budgeting, cash flow planning, and risk management, contribute significantly to improved financial performance (Gathungu & Murithi, 2018; Gichunge & Kamau, 2016).

The study provides empirical evidence supporting the association between ratio analysis and financial performance in SACCOs located in Kakamega, Kenya. By leveraging financial ratios to monitor and manage performance metrics, SACCO leaders can promote accountability, transparency, and sustainability in their operations. Nonetheless, given that only 32.6% of the variance in performance is attributable to ratio analysis, additional research is needed to explore other factors affecting SACCO financial performance.

CONCLUSIONS

The evaluation of ratio analysis's influence on SACCO performance in Kakamega, Kenya, revealed significant adoption of ratio analysis among SACCOs, indicating its recognition as a vital financial management tool. Respondents widely perceived ratio analysis to positively impact SACCO performance, reflecting a shared understanding of its importance in decision-making processes. While SACCOs demonstrated moderate performance levels on average, the correlation between ratio analysis and financial performance suggests its role in enhancing organizational outcomes. The findings emphasize the significance of ratio analysis in shaping SACCO success and suggest its continued utilization for improving performance.

RECCOMMENDATIONS

Based on the findings, it is recommended that SACCOs in Kakamega, Kenya, prioritize the continued use of ratio analysis as a key component of their financial management practices. Efforts should be directed towards enhancing staff understanding and proficiency in utilizing ratio analysis effectively. Additionally, fostering a culture of data-driven decision-making and regular performance assessments can further optimize the benefits derived from ratio analysis. SACCOs should also explore integrating additional financial management tools to complement ratio analysis and enhance overall decision-making processes.

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