The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN 2312-9492 (Online), ISSN 2414-8970 (Print)

www.strategicjournals.com
Volume 11, Issue 3, Article 010

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The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
Vol. 11, Iss.3, pp 151 – 162, July 24, 2024. www.strategicjournals.com, © Strategic Journals

EFFECT OF CASH MANAGEMENT ON FINANCIAL PERFORMANCE OF REGISTERED MICROFINANCE INSTITUTIONS IN KENYA

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Accepted: June 20, 2024

DOI: http://dx.doi.org/10.61426/sjbcm.v11i3.3016

ABSTRACT

Cash management process in MFIs provide avenues for adequate planning and control of money so that they are able to forecast any monetary expenses hence adequately financing their operations in bid of improving performance. That notwithstanding, MFIs in Kenya have been undergoing a series of losses due to declined customer deposits and non-performing loans. The purpose of the study was to examine the effect of current asset management on financial performance of registered microfinance Institutions in Kenya. The study adopted descriptive survey and causal research design. The sample size of 100 was selected from a population of 134 respondents in 13 registered microfinance Institutions (MFIs), using stratified random sampling. Both primary and secondary data were collected by use of questionnaires and document analysis of financial reports after piloting was done in an MFI outside the study area. A Cronbach Alpha of 0.895 was obtained after testing for reliability. Face and content validity was tested by factor analysis which indicated a rotation value of 0.766. The study's findings revealed that only two MFIs U&I and Sumac had positive Return on Asset (ROA) of 2% and 1% respectively. However, the rest of the MFIs registered negative ROA ratios. Notably, the worst performing MFIs were Choice which had -41%, Daraja which had -25%, Maisha which had -22% and Salaam which had -20%. In addition, Faulu, SMEP, Maisha and Branch recorded low cash to deposit ratio with a mean of 0.02. Further, the studyfound out that current asset management had a moderate positive relationship with financial performance (r = 0.431). The regression results revealed that without current asset management financial performance would be 22.123, whereas if MFIs introduce Current asset management by one-unit, financial performance would increase by 0.057 holding all other factors constant. The study concluded that though the MFIs had adequate assets, they did not have adequate cash at hand to support banking operations like withdrawals and lending. This was partially attributed to inefficient expense tracking systems such that the available funds were poorly accounted for. The study recommends that the management of MFIs should restructure their products and services to a more reliable customer experience perspective, in order to improve cash at hand to support its operations.

***Keywords**: Cash Management, Financial Performance, Registered Microfinance Institutions, Kenya*

CITATION: Nyangeri, O. S., Tibbs, C. Y., & Ngala, C. (2024). Effect of cash management on financial performance of registered microfinance institutions in Kenya. *The Strategic Journal of Business & Change Management,* 11 (3), 151 – 162. http://dx.doi.org/10.61426/sjbcm.v11i3.3017

INTRODUCTION

Cash Management is the process through which an individual or an MFI accumulates and carefully perform the administration function on cashflow (Fidelity National Information Services Inc [FNIS], 2019). Cash management process is important in an institution since it provides an avenue for adequate planning and control of money so that the institution has the required amount of money based on the need at hand. Therefore, this enables the institution to forecast any monetary expenses and hence able to finance its operations with ease improving its performance. Financial performance is the process of assessing the fiscal reliability of an MFI in regards to its ability of maximizing the shareholder's wealth and paying its liabilities when they fall due (CBK, 2020). There are various studies done that depict issues affecting MFI's performance.

Globally, International Monetary Fund [IMF] (2020) noted that the MFIs' performance in American states such as Georgia, have been experiencing high liquidity risk whereby borrowers have been increasing with a decreasing margin of customer deposit. Additionally, there have also been tough government regulations that govern the institutions thereby making it a challenge for start-up MFIs to thrive based on minimum cash deposit they need to reserve at the Federal Reserve Bank [FRB] (IMF, 2021). In Canada, there have been high expenditures related to operations since MFIs have to keep advancing in technological innovations to maintain a desirable position in the competitive market (IMF, 2021). Further, MFIs in Sweden have experienced substandard inventories due to over reliance to one supplier (EU, 2021).

Regionally in South Africa Mandipa & Sibindi (2022), established that the performance of MFIs has swindled due to challenges related to cyber security and weak capital base. Additionally, corruption within and out of the institution have also negatively impacted on their performance (Mandipa & Sibindi, 2022). In West African nations, there has been decreased deposits by customers, deteriorating quality of assets, and poor financial management particularly among the MFIs in nations such as Nigeria, Ghana and Niger respectively (UNECA, 2020). In East Africa, European Investment Bank [EIB] (2022) reveals that the performance of MFIs in Rwanda has been greatly affected due to poor practices on warehouse management. In Tanzania, the MFIs have suffered mainly due to biased tendering process and lack of qualified personnel to manage current assets (Sikira et al., 2024).

In Kenya, there are 14 MFIs authorized and regulated to operate in Kenya (CBK, 2021). These institutions have experienced various performance related problems such as an increase in risky weighted assets and aggressive competition from other financial institution such as Saccos and banks (Issack & Mutswenje, 2022). Additionally, the Kenyan MFIs have been struggling with tough government regulations that require huge investment on start-ups and deposit amounts at the CBK coffers (Nyawira, 2021). The management of the MFIs have also experienced challenges related to unprofessional management of the institution such that the daily operations are greatly hampered with corruption and internal politics (Nyawira, 2021).

Statement of the Problem

MFIs in Kenya have been undergoing a series of losses due to declined customer deposits and non-performing loans. According to CBK, (2022), MFIs registered an increased combined loss of kshs 980 million from 877 million in 2022 and 2021 respectively. This loss emanated from a decline of customer deposits from Kshs 50.4 billion to Kshs 46.5 billion in 2021 and 2022 respectively on all MFIs. Specifically, MFIs such as Maisha and Rafiki had gross losses of 477million and 314 million in 2022 correspondingly, which is an indication of cash management problems. Further, the value of asset quality in MFIs was low whereby the gross non-performing loans increased by Kshs 2.4 billion in 2022 from 12.3 billion in 2021 which indicated poor debtors' management (CBK, 2021). An MFI like

Choice had high non-performing loans of 214 million in 2022 to an extent of being bailed out through selling its 85% stake to Wakanda Network Ltd (The Kenyan Wall Street, 2021). Failure to address the three key performance concerns (low total assets, customer deposits and assets quality) would cause the microfinances to suffer liquidity problems which could lead to insolvency in these institutions. This study therefore examined the effects of current asset management on financial performance of registered microfinance Institutions in Kenya.

Research Hypothesis

H_{01}: Cash management has no statistically significant effect on financial performance of registered MFIs in Kenya.

LITERATURE REVIEW

Theoretical Review

This study was anchored on Shift Ability theory by Moulton (1918). This theory postulate that the capacity of liquidity to be maintained in an institution, required its management to ensure there were assets that could be easily converted to cash or any other investments that had high monetary value to ensure that its operations were a going concern. Therefore, as MFIs strived to ensure that they were able to conduct their operations, make strategic and financial decisions, they firstly maintained liquidity. This aspect ensured that they were able to pay their obligations once they fall due to avoid accumulating creditors which was an ultimate liability.

Shift ability theory explained the cash management variable in that the ability of the MFIs to come up with several cash systems such as reliable online funds transfer technique was key in ensuring that clients were able to fund their accounts over time. Additionally, when the operations department was able to have cash budgets hence minimizing unnecessary expenditures, they were able to increase their cash reserves for future use as a result of conducting business. In addition, when MFIs were guided by policies regarding the maximum amount of cash that could be used at a time, it enabled them be able to minimize wastages and maximize on the cash kitty. The MFIs also came up with various methods of diversification of revenue to invest in planning, implementing, monitoring and evaluation of new products as a means of increasing the income basket of the institution.

Empirical Review

Pellegrina et al. (2021) assessed how trainings in 56 MFIs were affected by management of institutional money and how that brought around productivity in Italy. The study involved administering of questionnaires and review of financial reports on how the loans were repaid, saved and withdrawn. The findings revealed that the officers that were forced to attend the training, did not have any major changes in their personal and professional money management practices, hence their work performance remained unchanged. Abebe (2022) observed how MFIs' performance was inclined by the administration of their assets and liabilities in Sub-Saharan part of Africa. The results as presented by Abebe (2022) revealed that only net loan portfolio was positively influenced by financial performance (specifically the ROA).

Njue et al. (2020) assessed how MFIs' performance was affected by liquidity management in Kenya. The results related to asset quality indicated that it negatively affected MFIs performance. It was regrettably noted that MFIs had low client deposit which meant that their operations were not adequately funded. Mwambui and Koori (2019) surveyed how the MFIs' performance was impacted by the administration of liquidity in Kenya. Among the factors of the review, the impact of administration on performance was evaluated. Cash management, according to Mwambui and Koori (2019), had a positive impact on financial performance. The results indicated that having cash policies, ratios, forecasts, standard liquidity minimums, and reserves that were high improved performance.

METHODOLOGY

The study adopted descriptive survey to gather information regarding the reasons of consistent declining performance in asset quality of MFIs. The sample size of 100 respondents were selected from a population of 134 respondents in 13 MFIs, using stratified random sampling. The key respondents were 13 compliance managers, 13 investment managers, 13 operations managers, 13 credit managers, 13 finance managers and 35 accountants. Both primary and secondary data were collected by use of questionnaires and document analysis of financial reports. Piloting of the research instrument was conducted in Muungano MFI. Cronbach Alpha index was used to test for reliability. Face and content validity was tested by factor analysis.

RESULTS AND DISCUSSION

The study issued questionnaires to various respondents and the results are provided in Table 1.

Table 1*: Response Rate*

Respondents	Response	Percentage
Issued Questionnaires	100	
Unreturned questionnaires	12	
Returned Questionnaires	88	88%

The results in Table 1 point out that there were 12 unreturned questionnaires while 88 questionnaires were returned and had been fully filled which translated to 88%. Notably, Wu et al. (2022), an 80% responses rate indicated excellent feedback on a survey. The outcome hence implies that the study was successful since the respondents answered the questionnaires in more than 80%.

Reliability Tests

The study pre-tested the questionnaires at Muungano MFI whereby randomly selected participants answered them. The outcome is in Table 2.

Table 2: *Reliability Test*

Variables	N	Cronbach Alpha
Cash Management	10	0.921
Financial Performance	10	0.863
Average	10	0.895

Based on the results presented in Table 2 the Cronbach values for cash management is 0.921 and financial performance is 0.863; and the overall coefficient is 0.895. Put all these variables and values in a table The results are all above 0.7 which was an implication that the questionnaires were reliable and could be trusted to be used even in future studies. This is because Taber (2018) pointed that a range of 0 to 0.69 indicated unreliability while 0.7 to 1 indicated reliability of the instruments.

Descriptive Results of Cash Management

Cash management was measured using cash to deposit ratio, liquidity ratio, online funds transfers, cash budgets, cash policies, and tracking expenses. The study collected both secondary and primary data

Secondary Data Results of Cash to Deposit Ratio of MFIs

The data was collected from the balance sheets of the MFIs dating from 2018 to 2022. The CBK (2018-2022) provided accurate source of information for the computation of the cash to deposit ratio as described in Table 3.

Table 3: ***Secondary Data Results of Cash to Deposit Ratio of MFIs***

MFIs	2018	2019	2020	2021	2022	Min	Max	Mean
Kenya Women	0.15	0.18	0.04	0.11	0.06	0.04	0.18	0.11
Faulu	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Rafiki	0.05	0.04	0.03	0.02	0.02	0.02	0.05	0.03
SMEP	0.02	0.02	0.02	0.02	0.01	0.01	0.02	0.02
Caritas	0.03	0.02	0.01	0.01	0.06	0.01	0.06	0.03
Summac	0.56	0.02	0.02	0.01	0.06	0.01	0.6	0.13
LOLC	0.36	0.30	0.05	0.3	0.02	0.02	0.4	0.21
U & I	0.21	0.02	0.02	0.06	0.01	0.01	0.21	0.06
Salaam	1.63	0.08	0.1	0	0.17	0	0.63	0.4
Daraja	0.22	0.01	0	0	0.04	0	0.22	0.05
Maisha	0.06	0.01	0.004	0.002	0.003	0.002	0.06	0.02
Branch	0.06	0.004	0.01	0.01	0.01	0.004	0.06	0.02
Choice	0.14	0	0	0	0.03	0	0.14	0.03

Source: CBK (2023)

The results in Table 3 indicated that salaam had the highest mean of 0.4, whereby the minimum recording was 0 and maximum recording was 0.63. This was followed by LOLC MFI which had the mean of 0.21, whereby the minimum recording was 0.02 and maximum recording was 0.4. Additionally, Summac and Kenya Women MFIs had the mean of 0.13 and 0.11 respectively. However, MFIs that recorded a low cash to deposit ratio were Faulu, SMEP, Maisha and Branch, which all had a mean of 0.02.

The results implied that the amount of money that the bank had towards supporting the withdrawal operations from clients was below the required threshold of 4.25% (CBK, 2020). In support, Ertiro and Mohammed (2022) explored cash management as part of factors that were influencing performance in Ethiopian MFIs. From their perspective, having adequate cash enabled settlement of liabilities as they arose with ease, supported lending and provided withdrawal fund. Additionally, Githaiga (2022) provided facts on how MFIs could diversify their revenue to experience consistent cash flow for financial sustainability. Among the ways suggested by Githaiga (2022) included customized products and services.

Secondary Data Results of Liquidity of MFIs

This study also collected the data from the reports to compute the liquidity status of the MFIs as shown in Table 4.

Table 4: ***Secondary Data Results of Liquidity of MFIs***

MFIs	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	Min (%)	Max (%)	Mean (%)
Kenya women	21	24	20	26	20	20	26	22.2
Faulu	27	26	29	34	30	26	34	29.2
Rafiki	21	39	31	40	28	21	40	31.8
SMEP	30	27	23	24	25	23	30	25.8
Caritas	37	54	35	32	34	32	54	38.4
Sumac	33	3	37	41	49	3	49	32.6
LOLC	75	100	31	27	30	27	100	52.6
U & I	21	31	22	27	67	21	67	33.6
Salaam	106	74	95	720	363	74	720	271.6
Daraja	21	8	6	4	3	3	21	8.4
Maisha	26	30	25	30	130	25	130	48.2
Branch	44.8	20	23	42	97	20	97	45.4
Choice	3	2	1	29	207	1	207	48.4

Source: CBK (2023)

The results in Table 4 indicated that almost all liquidity ratios of the MFIs were above the required threshold of 20%. In regards to ranking Salaam registered a liquidity percentage of 271.6%, followed by LOLC with 52.6%, Choice 48.4%, and Maisha 48.2%. This implied that most MFI had adequate assets to support their operations in the long-term with the exception of Daraja MFI which recorded a low mean of 8.4% signifying a worrying trend towards its survival in the banking industry. This is because its performance was that, Daraja MFI was able to record the minimum statutory requirement of 21% in 2018 which dwindled to 8% in 2019, 6% in 2020, 4% in 2021 and 3% in 2022. This means that unless otherwise supported with emergency capital, its existence was unstable hence facing inevitable closure. The findings coincided with Mwambui and Koori (2019) who also affirmed that the management of liquidity should be a priority since the existence of an MFI highly depends on its ability to sort out expenses as they arise. Failure to which, it would mean they are continually making losses which threatens their long-term existence. Further Njue et al. (2020) revealed that an institution that had mastered ensuring the liquidity thresholds are adequate, hardly experiences costs associated with fines issued for failure to pay their creditors on time.

Questionnaire Results of Cash Management

The study also asked questions various respondents in form of questionnaires to compliment the secondary data as provided in Table 5.

Table 5: ***Questionnaire Results of Cash Management***

Statements N=88	5	4	3	2	1	Mean
Deposits are made using diverse channels	12 (13.6%)	9 (10.2%)	4 (4.6%)	12 (13.6%)	51 (58%)	3.92
Maximum limit of cash managed by staff	6 (6.8%)	22 (25%)	0 (0%)	28 (31.8%)	32 (36.4%)	3.66
Staff training on online transfers	23 (26.1%)	11 (12.5%)	10 (11.4%)	10 (11.4%)	34 (38.6%)	3.24
Involvement of staff in budget formulation	21 (23.9%)	17 (19.3%)	6 (6.8%)	22 (25.0%)	22 (25.0%)	3.08
Cash policies on expenditure	16 (18.2%)	15 (17.0%)	8 (9.1%)	25 (28.4%)	24 (27.3%)	4.32
Banking system used to track expenses	24 (27.3%)	15 (17.0%)	8 (9.1%)	25 (28.4%)	16 (18.2%)	2.93
Management operations of cash equivalents	26 (29.5%)	18 (20.5%)	12 (13.6%)	15 (17.0%)	17 (19.3%)	3.17

The results in Table 5 indicate that 24(27.3%) strongly concurred while 25(28.4%) concurred with the statement that there were cash policies present that provided guidelines on how much money was spent at any particular time (mean-4.32). Additionally, 51(58%) strongly concurred while 12(13.6%) concurred with the statement that the microfinance bank allowed clients to make deposits using diverse channels such as mobile banking, agency banking, and ATM banking to improve cash to deposit ratio (mean-3.92). However, 24(27.3%) strongly disagreed while 15(17%) disagreed that there was a suitable banking system used to track expenses in the branch.

The results implied that the MFI have made efforts to incorporate cash policies to manage expenditures and also different payments options to receive client's deposits. Through this way, it was purposed to ensure that there was always funding and less expenses in the MFIs. Regrettably, it was not possible since the banking systems used were not effectively tracking accurate expenses especially at the branches. In support with the results, Pellegrina et al. (2021) also pointed out that part of training that should be offered to staff on the management of money encompasses misappropriation of funds. According to Pellegrina et al. (2021), when staff are not consistently trained on this, it could result to concealment of staff to engage in fund misappropriation or unnecessary wastages which actually explains a lot on why the cash to deposit ratios are negatively affected in the long-run.

Descriptive Results of Financial Performance

Financial performance was the dependent variable which was measured using ROA. The study collected both secondary and primary data.

Secondary Data Results of ROA

The data was collected from the balance sheets and income statements of the MFIs dating from 2018 to 2022. The CBK (2018-2022) provided accurate source of information for the ROA as described in Table 6.

Table 6: *Secondary Data on ROA*

MFIs	2018	2019	2020	2021	2022	Min	Max	Mean
Kenya women	(4%)	(2%)	(5%)	1%	(0.3%)	(5%)	1%	(2%)
Faulu	1%	2%	(2%)	(2%)	(0.1%)	(2%)	2%	(0.02%)
Rafiki	(5%)	(0.1%)	(1%)	(3%)	(6%)	(6%)	(0.01%)	(3%)
SMEP	(1%)	1%	(3%)	(2%)	0.01%	(3%)	1%	(1%)
Caritas	(7%)	(3%)	0.2%	1%	1%	(7%)	1%	(2%)
Sumac	1%	1%	1%	1%	0.02%	2%	1%	1%
LOLC	(10%)	(8%)	(11%)	(18%)	(11%)	(18%)	(8%)	(11%)
U & I	2%	1%	2%	4%	2%	1%	4%	2%
Salaam	(14%)	(42%)	(17%)	(9%)	(16%)	(42%)	(9%)	(20%)
Daraja	(26%)	(35%)	(32%)	(25%)	(9%)	(35%)	(9%)	(25%)
Maisha	(41%)	(3%)	4%	(12%)	(56%)	(56%)	4%	(22%)
Branch	(6%)	(12%)	(20%)	(2%)	(2%)	(20%)	(2%)	(9%)
Choice	(60%)	(37%)	(48%)	(53%)	(9%)	(60%)	(9%)	(41%)

The results in Table 6 indicate that the MFIs that had positive ROA ratios were U&I which had 2% and Sumac which had 1%. However, the rest of the MFIs registered negative ROA ratios. Notably, the worst performing MFIs were Choice which had -41%, Daraja which had -25%, Maisha which had -22% and Salaam which had -20%. The results implied an extremely worrying trend since it was a sign that they were not profitable. It is a national wide concern since 12 out of 14 of the MFI banking sub-sector consistently registered a negative ROA. In support with the findings UNECA (2020) revealed the same concerns for African financial institutions in private sector. According to the report, most of these institutions were operating under losses and were not able to plough back some portion of profits to the operations.

Questionnaire Statistics of Financial Performance

The study also asked questions various respondents in form of questionnaires to compliment the secondary data as provided in Table 7.

Table 7: *Questionnaire Statistics of Financial Performance*

Statements N=88	**5**	**4**	**3**	**2**	**1**	**Mean**
The management of current assets have improved return on assets	1 (1.1%)	63 (71.6%)	0 (0%)	15 (17%)	9 (10.3%)	2.92
Cash management methods have improved profitability	0 (0%)	11 (12.5%)	0 (0%)	17 (19.3%)	60 (68.2%)	4.43
Debtors' management have improved performance	11 (12.5%)	61 (69.4%)	4 (4.5%)	12 (13.6%)	0 (0%)	2.26
The MFI has employed professional staff to manage current assets	11 (12.5%)	11 (12.5%)	4 (4.5%)	23 (26.2%)	39 (44.3%)	3.77
There are policies established to reduce expenditures hence increased cash reserves	0 (0%)	11 (12.5%)	0 (0%)	27 (30.7%)	50 (56.8%)	4.32
The shareholders have received improved dividends	6 (6.8%)	25 (28.5%)	0 (0%)	37 (42%)	20 (22.7%)	3.45

The results of Table 7 point out that 60(68.2%) strongly concurred and 17(19.3%) concurred that cash management methods had improved profitability. However, 63(71.6%) disagreed that the presence of current assets had improved performance aspect like return on assets (mean-2.92). Further, 11(12.5%) strongly disagreed and 61(69.4%) disagreed that debtors' management had improved financial performance (mean-2.26).

The result implies that the only current asset management aspect that was improving performance was only cash management. Notably the major operations that involved debtors' management were the main resultant factor towards deteriorating performance. In support, Abebe (2022) revealed that when there were ineffective strategies put in place to manage debtors in MFIs such as through loans issued, it diminished the survival rate of the institution. In addition, Agasha et al. (2020) also pointed that irresponsible lending of loans was the main pitfall that affected MFIs in Uganda.

Overall Correlation Results for Primary Data

The study had a null hypothesis which was examined through the use of Pearson correlation method as depicted in Table 8.

Table 8: ***Overall Correlation Results for Primary Data***

		Financial Performance	Cash Management
Financial Performance	Pearson Correlation	1	.431
	Sig. (2-tailed)		.042
	N	88	88
Cash Management	Pearson Correlation	.431	1
	Sig. (2-tailed)	.042	
	N	88	88

Source: Field Data (2023)

The results in Table 8 indicate that the Pearson correlation coefficient for cash management was r =0.431** at with a p value of 0.042 < 0.05 and 95% confidence level. Therefore, since the R-value was less than 1 and p-value less than 0.05, the study was significant and we reject the null hypothesis and hence conclude that cash management has an influence on financial performance of MFIs. Notable Shahale and Ibrahim (2022) discovered that cash management correlated by 0.490 with performance in non-deposit taking MFIs while Mwambui and Koori (2019) in their study found out that the correlation was moderate at 0.325.

Regression Weights of Current Asset Management

The study had the first model which was as follows:

$$Yperf = \beta 0 + \beta 1CM + e$$

Where: Y = Financial performance, βi = Coefficients to be estimated, β0 = Constant, CM = Cash Management, e=Error Term. Therefore, the study used regression weights to analyze and equate the coefficients with values are described in Table 9.

Table 9: ***Regression Weights of Current Asset Management***

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	22.123	2.798		7.907	.000
Cash Management	.057	.079	.081	.726	.032

The regression analysis revealed that without cash management financial performance would be 22.123. However, when cash management is increased by 1% financial performance significantly increases by 0.057 percent holding all other factors constant at p = 0.032<0.05. Therefore, the resultant equation will be: Yperf = 22.123 + 0.057CM. Therefore, the cash management techniques were

relevant towards improving performance. The MFIs should ensure that they make the most out of cash management methods to seal the loophole of loss of finances. That is, ensuring that online funds transfers are well secured to avoid embezzlement, implement strict policies on sticking to the usage of funds on the item on cash budgets, minimizing the number of people handling institutional finances, and providing clear systems that would come in handy when tracking the expenses.

Summary of Findings

Twenty-four 24 (27.3%) respondents strongly concurred while 25(28.4%) concurred with the statement that there were cash policies present that provided guidelines on how much money was spent at any particular time with a mean of 4.32. These policies partially supported improved banking channels like mobile, agency, and ATM banking. However, 24 (27.3%) strongly disagreed while 15(17%) disagreed that there was a suitable banking system used to track expenses in the branch. The study's findings further were that 60 (68.2%) strongly concurred and 17 (19.3%) concurred that cash management methods had improved profitability. However, 63(71.6%) disagreed that the presence of current assets had improved performance aspect like return on assets with a meanof 2.92). Notably, the MFIs that had positive ROA ratios were U&I which had 2% and Sumac which had 1%. However, the rest of the MFIs registered negative ROA ratios. Notably, the worst performing MFIs were Choice which had -41%, Daraja which had -25%, Maisha which had -22% and Salaam which had -20%. Other such as MFIs that recorded a low cash to deposit ratio were Faulu, SMEP, Maisha and Branch, which all had a mean of 0.02. The Pearson correlation coefficient for cash management was r = 0.431** at p = 0.042 <0.05 and 95% confidence level. The regression results revealed that the increase in cash management by 1 unit would increase financial performance by by 5.7 percent holding all other factors constant.

CONCLUSIONS

The study concluded that cash management had an influence on financial performance. Additionally, though the MFIs had adequate assets, they did not have adequate cash at hand to support banking operations. This was partially attributed by declined cash deposits and inefficient expense tracking systems such that the available funds were poorly accounted for.

RECOMMENDATIONS

The study recommended that the management of MFIs should restructure their products and services to a more reliable customer oriented, in order to improve cash at hand to support its operations. Additionally, they should also overhaul the expense tracking banking system and also develop policy framework on the need to strictly adhere to the improved system.

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