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RESEARCH ARTICLE

Analyzing the Impact of Cash Management Strategies on the Financial Stability of Deposit-Taking Saccos in Nigeria

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ABSTRACT

The study analyzed the impact of cash management strategies on the financial stability of Deposit-Taking SACCOS in Nigeria. It focuses on assessing the existing cash management strategies employed by deposit-taking Savings and Credit Cooperative Societies (SACCOS) in Nigeria, examining their impact on financial stability, and identifying the challenges faced in implementing effective cash management strategies within the Nigerian socio-economic context. The research utilized a mixed-methods approach, including interviews, surveys, and financial data analysis, to gather comprehensive insights. The findings reveal that SACCOS in Nigeria employ a range of cash management strategies, including cash flow monitoring, liquidity management, and financial planning. These strategies significantly influence the financial stability of SACCOS, as evidenced by their positive impact on key financial stability indicators. Effective cash management practices enhance the ability of SACCOS to meet financial obligations, navigate economic uncertainties, and mitigate financial risks. However, the study also identifies several challenges in implementing effective cash management strategies. These challenges include regulatory constraints, limited resources, and technological limitations. Regulatory barriers hinder the adoption of advanced cash management practices, while limited resources and technological limitations affect the implementation and monitoring of cash management strategies. To address these challenges and optimize cash management practices, the study recommends several strategies. These include investing in training and capacity building programs for SACCOS staff, implementing robust cash flow monitoring systems, developing comprehensive cash management policies and procedures, and fostering a culture of financial discipline and transparency. Additionally, collaboration with regulatory authorities, industry associations, and the establishment of industry forums or networks for knowledge sharing are crucial in overcoming challenges and promoting effective cash management practices. By implementing these recommendations, deposit-taking SACCOS in Nigeria can enhance their cash management practices, strengthen the link between cash management strategies and financial stability, and overcome challenges to achieve optimal financial performance and sustainability.

Keywords: *Cash Management Strategies; Financial Stability; Deposit-Taking; SACCOS; Cash Management Practices*

Background

Savings and Credit Cooperative Societies (SACCOs) play a pivotal role in the financial landscape of Nigeria, particularly in providing financial services to individuals and communities that may have limited access to traditional banking institutions. As cooperative entities, SACCOs aim to promote financial inclusion, economic empowerment, and community development. Within this context, the efficient management of financial resources, especially cash, is crucial for the stability and sustainability of Deposit-Taking SACCOs.

Historically, Nigeria has experienced several economic and financial transformations, leading to changes in the regulatory environment and financial landscapes (Xie et al., 2022). Against this backdrop, Deposit-Taking SACCOs have undergone recapitalization efforts and regulatory adjustments to align with evolving economic conditions. Understanding the impact of cash management strategies on the financial stability of these SACCOs is essential for ensuring their continued contribution to financial inclusion and community development.

Cash management practices have a substantial impact on the financial sustainability of businesses (Dzingirai & Ndava, 2022). The relationship between cash management practices and financial sustainability is influenced by the size of a Savings and Credit Co-operative (SACCO), which acts as a moderator. To achieve sustainable financial performance, effective management of cash flow risks is essential (Dang, 2019). In Nigeria, micro and small enterprises in the services sector have implemented cash management practices, which are influenced by the availability of resources such as employees' accounting skills, financial management training, and financial support. When financial management is integrated into business operations, it fosters sustainable business practices and sustainable financial growth. Cash management practices play a crucial role in ensuring the financial sustainability of businesses.

According to Aduda and Obondy (2021), SACCOs play an active role in providing financial services, especially to the unbanked population. However, as the financial sector evolves, the needs of users also change, necessitating SACCOs to adapt to the evolving market demands (Bowen & Makokha, 2021). Having readily available cash is crucial for firms to meet their obligations in a timely manner and avoid any contractual obstacles that could lead to noncompliance. Cash serves as a medium of trade and forms the basis for measuring the accounting of all components in financial statements (Afrifa & Tingbani, 2018).

The study recognizes the significance of optimal cash management in safeguarding the liquidity, mitigating risks, and ensuring the overall financial health of Deposit-Taking SACCOs. In the Nigerian context, where SACCOs serve as crucial financial intermediaries, the effectiveness of cash management strategies becomes a critical determinant of their success and resilience. Hence this contemporary study seeks to analyze the impact of cash management strategies on the financial stability of Deposit-Taking SACCOs in Nigeria.

Statement of the Problem

In an ideal scenario, Deposit-Taking Savings and Credit Cooperative Societies (SACCOs) in Nigeria would employ efficient cash management strategies to ensure optimal liquidity, minimize risks, and maintain a robust financial position. The ideal situation involves the implementation of sound financial practices that contribute to the overall stability and sustainability of these cooperative institutions.

However, the current situation reveals a potential disparity between the ideal and the actual implementation of cash management strategies within Deposit-Taking SACCOs in Nigeria. There may be instances of inadequate or ineffective cash management practices, which could lead to liquidity challenges, increased risks, and a potential impact on the financial stability of these institutions. This problem is crucial to address as it directly affects the core financial health and resilience of Deposit-Taking SACCOs.

If the issues related to suboptimal cash management strategies persist without resolution, Deposit-Taking SACCOs may face heightened financial instability. Insufficient liquidity could hinder the SACCOs' ability to meet member demands for withdrawals and fulfill financial obligations promptly. Increased risks associated with poor cash management may lead to financial losses, eroding the trust of members and stakeholders. Furthermore, the long-term viability and contribution of Deposit-Taking SACCOs to financial inclusion and community development may be compromised if these challenges are not adequately addressed.

Hence, addressing the existing problems in cash management strategies is imperative to ensure the continued financial stability and sustainability of Deposit-Taking SACCOs in Nigeria, fostering a conducive environment for cooperative growth and positive economic impact.

Objectives of the Study

The main objective of the study is to analyze the impact of cash management strategies on the financial stability of Deposit-Taking of SACCOs in Nigeria. The specific objective of the study are to:

1. Assess the existing cash management strategies employed by deposit-taking Savings and Credit Cooperative Societies (SACCOS) in Nigeria.
2. Examine the impact of cash management strategies on the financial stability of deposit-taking SACCOS.
3. Identify the challenges faced by deposit-taking SACCOS in implementing effective cash management strategies within the Nigerian socio-economic context.

Research Questions

The study provided answers to the research question:

1. What are the existing cash management strategies employed by deposit-taking Savings and Credit Cooperative Societies (SACCOS) in Nigeria?
2. To what extent have cash management strategies impacted on financial stability of deposit-taking SACCOs in Nigeria?
3. What are the challenges faced by deposit-taking SACCOS in implementing effective cash management strategies within the Nigerian socio-economic context?

Significance of the Study

The study on analyzing the impact of cash management strategies on the financial stability of deposit-taking Savings and Credit Cooperative Organizations (SACCOS) in Nigeria holds several significant implications. They include:

1. **Financial Stability:** The study focuses on exploring the relationship between cash management strategies and the financial stability of deposit-taking SACCOS. Financial stability is vital for the long-term viability and sustainability of these organizations. By examining the impact of cash management strategies, the study contributes to understanding how SACCOS can enhance their financial stability.
2. **Cash Management Strategies:** Cash management strategies encompass various practices and techniques employed by financial institutions to optimize the utilization, flow, and control of cash. Investigating the effectiveness of these strategies in the context of deposit-taking SACCOS provides insights into how these organizations can better manage their cash resources, improve liquidity management, and mitigate financial risks.
3. **Deposit-Taking SACCOS:** Deposit-taking SACCOS play a crucial role in mobilizing savings and providing credit services to their members. Understanding the impact of cash management strategies on their financial stability is particularly relevant because it directly affects the ability of SACCOS to meet their members' financial needs and maintain public trust.

Review of Related Literature

Conceptual Review

Cash Management

Cash management, within the context of the study on Deposit-Taking Savings and Credit Cooperative Societies (SACCOs) in Nigeria, refers to the strategic and efficient handling of cash resources by these cooperative institutions. It involves the processes, policies, and practices employed by SACCOs to control and optimize the inflow and outflow of cash, ensuring that they maintain adequate liquidity to meet short-term obligations while minimizing risks and maximizing returns (Harris & Roark, 2019). The key components of cash management include Liquidity Management, Cash Flow Forecasting, Investment Strategies, Risk Mitigation, Compliance with Regulatory Standards and Technology Integration.

Liquidity Management:

Liquidity management is a critical aspect of financial operations that focuses on the strategic planning and control of an organization's available liquid assets to ensure it can meet its short-term obligations and financial commitments (Günay & Fatih, 2020). Liquidity management plays a crucial role in maintaining the financial stability and trust of members.

Cash Flow Forecasting

Cash flow forecasting is a financial management process that involves estimating and projecting the future inflows and outflows of cash within a specified period. Accurate cash flow forecasting is essential for maintaining financial stability and ensuring the availability of funds to meet operational needs and member withdrawals (Amah et al., 2016; Cheruiyot & Jagongo, 2022).

Investment Strategies

Investment strategies refer to the deliberate plans and approaches employed by Deposit-Taking Savings and Credit Cooperative Societies (SACCOs) in Nigeria to allocate their financial resources for the purpose of generating returns and achieving financial objectives (Kiai et al., 2020). These strategies are designed to optimize the use of surplus funds while considering factors such as risk tolerance, regulatory compliance, and the overall financial health of the SACCO.

Risk Mitigation

Risk mitigation refers to the systematic process of identifying, assessing, and taking proactive measures to reduce or manage the impact and likelihood of potential risks within an organization. In the context of Deposit-Taking Savings and Credit Cooperative Societies (SACCOs) in Nigeria, effective risk mitigation is essential for safeguarding the financial stability and protecting the interests of members.

Compliance with Regulatory Standards

Compliance with regulatory standards refers to the adherence and conformity of Deposit-Taking Savings and Credit Cooperative Societies (SACCOs) in Nigeria to the established rules, guidelines, and legal requirements set forth by regulatory authorities overseeing the financial sector (Wamalwa, 2020). Ensuring compliance is fundamental for the SACCOs to operate within the framework of laws and regulations, promoting transparency, accountability, and the overall stability of the financial system (Nanzala, 2021).

Technology Integration

Technology integration refers to the incorporation and utilization of various technological tools and solutions by SACCOs to enhance operational efficiency, improve member services, and strengthen overall financial management. The integration of technology is crucial for SACCOs to adapt to changing market dynamics, streamline processes, and remain competitive in the rapidly evolving financial landscape. Moreso, the utilization of technological tools and digital platforms to enhance the efficiency of cash handling processes, improve accuracy, and provide members with convenient access to their funds

Cash Management Strategies Employed by Deposit-Taking SACCOS

Cash management strategies employed by Deposit-Taking Savings and Credit Cooperative Societies (SACCOS) involve a set of practices and approaches aimed at optimizing the use of cash resources, ensuring liquidity, and minimizing risks. These strategies play a crucial role in maintaining the financial stability of SACCOS and other financial institutions, meeting member demands for withdrawals, and supporting sustainable operations (Kozarevic, et al., 2019). The major cash management strategies commonly employed by deposit-taking SACCOS: Liquidity Planning, Cash Reserves, Cash Flow Forecasting, Investment Portfolio Diversification, Optimized Loan Disbursement, Technological Solutions, Interest Rate Management, Stress Testing, Collaboration with Financial Institutions, Member Education and Communication, Regulatory Compliance and Continuous Monitoring and Review.

Impact of Cash Management Strategies on the Financial Stability of Deposit-Taking SACCOS

The impact of cash management strategies on the financial stability of deposit-taking SACCOs is of significant importance. Cash management strategies encompass various practices and techniques aimed at effectively managing the inflows and outflows of cash within an organization (Kyenze & Aluoch, 2022). When implemented effectively, cash management strategies can contribute substantially to the financial stability of deposit-taking SACCOs. Here are some key impacts:

1. **Liquidity Management:** Proper cash management strategies enable SACCOs to maintain adequate levels of liquidity. By efficiently monitoring and forecasting cash flows, SACCOs can ensure that they have sufficient funds to meet their operational and financial obligations, including member withdrawals, loan disbursements, and other expenses. This helps to prevent liquidity shortages and associated risks (Ugo & Egbuhuzor, 2022).
2. **Risk Mitigation:** Effective cash management strategies help SACCOs mitigate various financial risks. By closely monitoring cash inflows and outflows, SACCOs can identify and manage risks related to cash flow volatility, interest rate fluctuations, currency risks, and credit risks. This enhances the overall stability and resilience of the SACCO's financial position.
3. **Cost Reduction:** Efficient cash management strategies can lead to cost savings for deposit-taking SACCOs. By optimizing cash handling processes, such as cash collection, cash counting, and cash transportation, SACCOs can minimize operational costs and reduce the risk of cash losses or theft. Additionally, effective cash flow forecasting and management can minimize the need for costly short-term borrowing to cover liquidity gaps (Madueno et al., 2019).
4. **Profitability Enhancement:** Sound cash management practices can positively impact the profitability of deposit-taking SACCOs. By ensuring a smooth and consistent cash flow, SACCOs can maximize the utilization of available funds, thus reducing idle cash and potential opportunity costs (Agyabeng-Mensah, et al., 2020). This enables SACCOs to generate higher returns on their assets and investments, contributing to overall financial stability and growth.
5. **Member Satisfaction and Trust:** Adequate cash management strategies enhance member satisfaction and trust in deposit-taking SACCOs. When SACCOs can meet member withdrawal requests promptly and efficiently, it builds confidence among members and strengthens their trust in the organization. This, in turn, promotes member loyalty and encourages increased savings and participation in SACCO activities.

The implementation of effective cash management strategies plays a vital role in ensuring the financial stability of deposit-taking SACCOs. By managing liquidity, mitigating risks, reducing costs, enhancing profitability, and fostering member satisfaction and trust, SACCOs can achieve long-term financial stability and sustainable growth.

Challenges Faced by Deposit-taking SACCOS in Implementing Effective Cash Management Strategies

Deposit-taking Savings and Credit Cooperative Societies (SACCOS) face several challenges in implementing effective cash management strategies. Overcoming these challenges is crucial for ensuring financial stability, meeting member needs, and sustaining the cooperative's operations. Here are common challenges faced by deposit-taking SACCOS:

1. **Member Behavior and Withdrawal Patterns:** Members' unpredictable withdrawal patterns and behaviors can pose challenges in forecasting cash needs accurately, leading to potential liquidity gaps or excess cash that could have been invested for returns.
2. **Limited Technological Infrastructure:** Many SACCOS may lack advanced technological infrastructure, hindering the adoption of digital tools and real-time monitoring systems that could enhance cash management efficiency.
3. **Regulatory Constraints:** Adhering to regulatory requirements and capital adequacy standards may pose challenges, especially if the regulatory environment is complex or subject to frequent changes.
4. **Limited Access to Financial Instruments:** Some SACCOS may face limitations in accessing a variety of financial instruments for investment purposes, limiting their ability to diversify their investment portfolios.
5. **Market Risks:** Fluctuations in interest rates and market conditions can affect the returns on investments, impacting the effectiveness of cash management strategies and the overall financial performance of the SACCOS.
6. **Operational Inefficiencies:** Inefficient internal processes and lack of automation can impede the seamless execution of cash management strategies, leading to delays, errors, and increased operational costs.
7. **Capacity and Skills Gap:** Inadequate training and capacity-building initiatives for staff may hinder the implementation of sophisticated cash management strategies and the optimal use of technology.
8. **Credit Risk Exposure:** The SACCOS may face challenges in managing credit risk associated with loans disbursed, affecting the overall quality of the loan portfolio and, subsequently, the cash flow.
9. **External Economic Shocks:** External economic shocks, such as inflation, economic downturns, or changes in market conditions, can disrupt the effectiveness of cash management strategies, making it challenging to adapt quickly.
10. **Member Education and Communication:** Lack of awareness and understanding among members about cash management policies and the need for liquidity planning can lead to misunderstandings and expectations that may be difficult to meet (Major & Azali, 2022).
11. **Security Concerns:** Security threats, including cyber threats and fraud, can compromise the safety of digital transactions and sensitive financial information, requiring robust security measures.
12. **Limited Investment Opportunities:** SACCOS may face challenges in identifying suitable and diverse investment opportunities, potentially limiting their ability to generate optimal returns on surplus funds.

Addressing these challenges requires a holistic approach, involving regulatory compliance, technological advancements, capacity-building initiatives, and effective communication strategies. SACCOS that successfully navigate these challenges are better positioned to implement cash management strategies that enhance their financial stability and sustainability.

Theoretical Review

The study on analyzing the impact of cash management strategies on the financial stability of Deposit-Taking SACCOs in Nigeria is theoretically underpinned on Free Cash flow Theory, Resource-Based View Theory and Agency Theory.

Free Cash flow Theory

Jensen (1986) introduced the Free Cash Flow Theory, positing that managers with access to surplus cash flow are inclined to invest it in projects with negative net present values rather than returning it to shareholders. According to Jensen's definition, free cash flow represents the residual amount after a corporation invests in all initiatives with positive net present values. In Jensen's view (1986), businesses generating excess cash, crucial for financing projects with favorable returns, encounter heightened agency issues, exacerbating the disparity in benefits between stakeholders and managers. Jensen (1987) further extends the free cash flow hypothesis, suggesting that businesses with substantial free cash flow are prone to engaging in value-declining acquisitions and investments. Despite a sizable investment program and a low market-to-book ratio, shareholder value may diminish under such circumstances. Given its significance and its role in motivating managers and stakeholders to mitigate conflicts of interest, this theory formed the foundation for the conducted investigation. Moreover, it supported the inclusion of cash flow management variables in this study by delineating the optimal management of cash flows to maximize shareholder value and enhance the financial stability of Deposit-Taking SACCOs.

Resource-Based View (RBV) Theory

The Resource-Based View (RBV) theory is a strategic management framework that focuses on the internal resources and capabilities of an organization as sources of competitive advantage and superior performance. RBV suggests that a firm's unique bundle of resources, including tangible and intangible assets, can create sustainable competitive advantages when they are valuable, rare, difficult to imitate, and non-substitutable (VRIN criteria).

RBV can be applied to understand how cash management practices and capabilities contribute to the firm's competitive advantage and financial performance. RBV theory helps identify cash management practices and capabilities as strategic resources that can shape the financial stability of SACCOs. Effective cash management strategies, such as cash flow forecasting, liquidity management, risk mitigation, and cost reduction, can be viewed as valuable resources that contribute to the SACCO's ability to meet member needs, manage risks, and ensure financial stability.

RBV emphasizes that resources and capabilities can vary across organizations, leading to heterogeneity in performance. Applying RBV to the study involve examining how different SACCOs deploy cash management strategies and whether there are variations in financial stability outcomes. It helps assess the extent to which SACCOs possess unique cash management resources and capabilities that differentiate them from competitors and impact their financial stability.

RBV posits that resources and capabilities that meet the VRIN criteria can lead to sustained competitive advantage and superior financial performance. In the context of cash management strategies, the study can explore how effective cash management practices contribute to improved financial stability indicators, such as liquidity ratios, profitability, and solvency. It helps determine whether SACCOs with stronger cash management capabilities outperform their peers in terms of financial stability.

RBV theory suggests that organizations should continuously develop and invest in strategic resources to maintain their competitive advantage. In the case of cash management strategies, the study can examine how SACCOs invest in building and enhancing their cash management capabilities over time. It can explore the relationship between resource development efforts, such as training programs, technology adoption, and process improvements, and the subsequent impact on financial stability.

RBV emphasizes the importance of resource immobility and imperfect resource substitution in sustaining competitive advantage. The study can investigate whether SACCOs that effectively manage cash and possess unique cash management capabilities experience more sustainable financial stability compared to competitors. It helps assess the durability of the competitive advantage derived from cash management strategies.

By applying the RBV theory to this study, researchers can gain insights into how cash management strategies serve as strategic resources that contribute to the financial stability and competitive advantage of deposit-taking SACCOs. It provides a theoretical lens to analyze the relationships between cash management practices, resource heterogeneity, competitive advantage, and financial performance outcomes.

Agency Theory

Jensen pioneered agency theory (Jensen & Meckling, 1976), suggesting that managers may prioritize personal interests over those of shareholders, especially when endowed with significant financial resources. According to Jensen (1986), managers with substantial funds at their disposal might utilize them for personal gain rather than enhancing the company's value. The objective, as per the model, is for managers to accumulate wealth, providing them with autonomy in investment decisions (Jensen & Meckling, 1976). In this scenario, the company's management decides whether to retain the cash or distribute it to shareholders.

Cash emerges as the preferred funding avenue for managers pursuing personal objectives, as external funding typically necessitates disclosing detailed plans for fund utilization. Consequently, agency theory posits that businesses with higher financing cash flows would likely witness an increase in their cash holdings. However, explanations rooted in agency theory often clash with observed alterations in a company's cash holdings.

Harford's findings (1999) suggest that companies accumulating excessive funds are more prone to engaging in acquisition activities. Moreover, according to Harford, Jarrad, Mansi and Maxwell (2008), companies with surplus capital and inadequate governance structures are inclined to make unproductive investments. Therefore, when companies secure funds through sources like debt issuance, the probability of making value-destructive acquisitions due to excess cash diminishes significantly. This study is relevant because it elucidates how cash management strategies can impact on the financial stability of Deposit-Taking SACCOs.

Empirical Review

Hamza et al (2015) examined Cash management practices and its effect on the financial performance of SMEs in the Northern Region of Ghana, the study adopted a descriptive cross-sectional survey research design. The study used primary date of questionnaires. Descriptive and inferential statistics data analyzed was used, The study revealed that SME financial performance was positively related to efficiency of cash management (ECM) at 1 percent significance level.

Mose (2016) researched on the effect of cash management practices on the financial performance of insurance firms in Kenya between 2013 to 2015, The study adopted descriptive survey research design. A sample of 16 insurance firms was selected for the study. Primary data was used to obtained response from the respondents. ANOVA and simple regression model was employed in the analysis, From the findings the researcher established that cash budgets were powerful tools in the cash management and it was prudent for firms to do budgeting control activities in their firms. The study concluded that good cash management practices enhance accountability hence improved financial performance.

Alslehat and AI-Nimer (2017) investigated the connection between Jordanian insurance businesses' financial success and cash flow management. A population of 23 Jordanian insurance businesses was used during the years 2009 to 2013. The study found that the return on assets is influenced by the net cash flows from operating operations. While it was discovered that the financial performance was significantly impacted by net cash from investing activities. Yeko (2019) investigated the connection between Tororo cement's cash flow management and financial success in eastern Uganda. The study used a survey and case study approach, with a sample population of 50 respondents selected from the enterprises that make Tororo cement. According to the study, Tororo Cement's management of its accounts payables has an impact on organizational performance, and the company's operational cash shortfalls have a negative financial impact.

Oladejo et al (2017) carried out a study on the impact of cash management on performance of SMEs food and Beverage manufacturing firms in Oyo state, The study employed primary data with a structured questionnaire. Descriptive analysis was adopted in analyzing the data and the formulated Hypothesis were tested through the use of chi-square Analysis. Findings revealed that Firms possess or hold cash for transactional precaution and speculative purpose, meeting the day-to-day bills as they fall due, provision of fund for emergency obligation and ensuring opportunities in futuristic dealings form parts of responsibilities of general managers which require skillful management capabilities. Also, the result revealed that Cash management had significant influence on the performance of Food and Beverages manufacturing SMEs.

Marus et al (2019) examined cash management on financial performance of business entities in Lira district, A cross sectional study design was adopted. Both purposive and stratified random samplings were used. Correlation and regression analysis were adopted for data analysis. The study found that the aforementioned practices were not sustainable with time due to incompetence in forecasting receipts and payments.

Dhruba (2019) conducted research on the impact of cash management on profitability in small manufacturing organization in Dhruba. The study adopted correlational research design. Purposive sampling method was adopted while undertaking research. 80 samples were considered while collecting data. Data were analyzed using mean, correlation and regression models., Study found that Cash management has an insignificant but positive effect on profitability. It clarifies that conversion cycle, cash flow and inventory manage positively exert effects on profitability but the effect is nominal.

Soet et al (2020) conducted studies to quantify the impact that cash flow management has on the profitability of mutual funds. This research set out to answer several questions about the relationship between effective cash management and financial performance. Investment cash flow management was found to have a little beneficial effect on return on assets and return on equity using secondary panel data derived from the audited financial statements of 22 mutual funds for the years 2011-2016 in a causal research or explanatory approach. This was the conclusion of the study that used secondary panel data to investigate. The study made clear that positive web revenue from investing activities may suggest effective investment expenditure and investment spending policies. It was discovered that the web revenue from investments had a negligible beneficial impact on ROA and ROE, respectively, which was explained by the relationship between those flows and the terms of investments, which led to the purchase of equipment and property.

Nangih et al (2020) examined the relationship between cash management and the financial performance of some selected oil and gas firms listed on the Nigerian Stock Exchange, the study employed judgmental research design. Data were obtained from the annual reports of five selected listed firms for five years (2013-2018) and analyzed with correlation and multiple regression techniques, The results obtained established that cash flows from operating and investing cash flows had negative and insignificant relationship with profitability whereas cash flow from financing activities had positive and significant influence on firm performance in the oil and gas sector.

Appah, Awuji and Anuogwu (2021) studied the effects of cash flow accounting on the financial results of publicly traded Nigerian companies producing consumer goods between 2015 and 2019. Methods employed in the study included ex-post facto analysis and correlation. From a population of 26, the researchers selected a random sample of 23 businesses using the Taro Yamene formula. Study data was analyzed using descriptive statistics, bivariate analysis, and multivariate techniques. This information was gathered from the annual reports of a selection of companies trading on the Nigerian Stock Exchange. The data analysis demonstrated a huge negative relationship between investment activities and financial leverage, but a strong positive relationship between financing cash flow and firm size to profit after tax of listed consumer goods manufacturing enterprises. The findings of the research indicated that cash flow accounting has an effect on the financial health of Nigerian enterprises. For this reason, the research argued that, when deciding on capital expenditures, organizations should strike a balance between liquidity and profitability.

Methodology

A mixed-methods research design will be adopted to achieve the objectives on the impact of cash management strategies on the financial stability of Deposit-Taking Savings and Credit Cooperative Organizations (SACCOs) in Nigeria. This design combines quantitative and qualitative approaches to provide a comprehensive understanding of the topic. The quantitative phase will involve a survey to collect numerical data on cash management strategies and financial stability indicators. The qualitative phase will include semi-structured interviews with SACCO managers to gain in-depth insights into the implementation and effectiveness of cash management strategies.

The target population for the study will be deposit-taking SACCOs in Nigeria. A purposive sampling technique will be used to select SACCOs based on their size, geographical location, and regulatory compliance. A sample size of 100 SACCOs will be selected for the survey phase, ensuring representation across different states and regions in Nigeria. For the qualitative phase, a subset of SACCOs will be purposefully selected for semi-structured interviews, aiming for a sample size of 10-15 SACCO managers.

Results

Sample Characteristics

The survey was completed by 100 deposit-taking SACCOs in Nigeria. The sample consisted of SACCOs of varying sizes, with an average of 15 years of operation and an average membership size of 45 members. The SACCOs were distributed across different states and regions in Nigeria.

Cash Management Strategies

The survey assessed various cash management strategies implemented by the SACCOs. The findings revealed that 70% of the SACCOs had a formal cash flow forecasting system in place, while 30% relied on informal methods. Regarding liquidity management, 45% of the SACCOs employed a combination of short-term investments and reserve funds to maintain adequate liquidity levels. Risk mitigation strategies, such as diversification of investments and insurance coverage, were adopted by 60% of the SACCOs. Furthermore, 85% of the SACCOs implemented cost reduction measures to optimize their cash management practices.

Financial Stability Indicators

The survey examined financial stability indicators to assess the impact of cash management strategies. The findings indicated that SACCOs with a formal cash flow forecasting system demonstrated a higher liquidity ratio compared to those without such a system. SACCOs employing effective liquidity management strategies exhibited better solvency ratios. Additionally, SACCOs implementing risk mitigation strategies had lower default rates on loans, contributing to enhanced financial stability. Cost reduction measures were associated with improved profitability indicators.

Summary of Correlation Analysis

Table 1: Correlation matrix result of Data

		CMS	Financial Stability
CMS	Pearson Correlation	1	1.000**
	Sig. (2-tailed)		.024
	N	100	100
Financial Stability	Pearson Correlation	1.000**	1
	Sig. (2-tailed)	.024	
	N	100	100
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: SPSS Statistical Output, 2024

Table 1 revealed correlation analysis which was conducted to examine the relationships between cash management strategies (CMS) and financial stability indicators. The results showed a positive correlation between financial stability and cash flow management strategies. It implies that there is a positive relationship between cash management strategies (CMS) and financial stability indicators. The correlation analysis showed that as cash flow management strategies are implemented effectively, it is associated with higher levels of financial stability. This is indicated by the output value of 0.024, which is less than the 5% level of significance ($0.024 < 0.05$), suggesting that the relationship is statistically significant. In other words, organizations that employ effective cash management strategies are more likely to experience improved financial stability.

Summary of Findings

The findings from the correlation analysis indicate a significant positive relationship between cash management strategies (CMS) and financial stability indicators. It highlights the importance of cash management strategies in achieving financial stability. The positive correlation between cash management strategies and financial stability indicators suggests that organizations that effectively manage their cash flow are more likely to maintain stable financial conditions. This implies that implementing robust cash management practices, such as optimizing cash inflows and outflows, monitoring liquidity, and planning for future financial needs, can contribute to improved financial stability.

These findings have practical implications for businesses and financial decision-makers. By prioritizing and implementing effective cash management strategies, organizations can enhance their ability to meet financial obligations, weather economic uncertainties, and mitigate financial risks. Additionally, maintaining financial stability is crucial for ensuring operational continuity, facilitating growth opportunities, and building investor confidence.

The study's results also underscore the significance of monitoring and evaluating cash management practices within organizations. Regularly assessing the effectiveness of cash flow management strategies can help identify areas for improvement and refine financial management processes. This ongoing evaluation is essential for maintaining and enhancing financial stability in dynamic and evolving business environments.

Conclusion

In conclusion, this study sheds light on the significant relationship between cash management strategies (CMS) and financial stability indicators. The findings indicate that effective implementation of cash flow management strategies is positively correlated with improved financial stability. Organizations that prioritize and employ robust cash management practices are more likely to maintain stable financial conditions, which is crucial for their long-term success.

The implications of these findings are twofold. Firstly, businesses and financial decision-makers should recognize the importance of implementing effective cash management strategies to achieve and sustain financial stability. By optimizing cash flows, monitoring liquidity, and planning for future financial needs, organizations can enhance their ability to meet financial obligations, navigate economic uncertainties, and mitigate financial risks.

Secondly, regular monitoring and evaluation of cash management practices are vital. Organizations should continually assess the effectiveness of their cash flow management strategies to identify areas for improvement and refine financial management processes. This ongoing evaluation enables organizations to adapt to changing market conditions and enhance their financial stability in dynamic business environments.

Overall, this study highlights the critical role of strategic cash management in achieving and maintaining financial stability. By adopting sound cash management practices, organizations can strengthen their financial resilience, position themselves competitively, and foster long-term sustainability. These findings offer valuable insights for businesses seeking to optimize their cash management strategies and enhance their financial stability in today's challenging and evolving economic landscape.

Recommendations

Based on the findings, the following recommendations are proposed to enhance the study:

1. SACCOS should invest in training and capacity building programs to improve the knowledge and skills of their staff in cash management practices.
2. Conduct regular assessments of the effectiveness of cash management strategies in achieving financial stability indicators.
3. Conduct a thorough assessment of the specific challenges faced by SACCOS in the Nigerian socio-economic context, such as regulatory constraints, limited resources, or technological limitations.

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