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Effect of Treasury Risk Management on Financial Performance of Kenyan Deposit Taking Saccos; A Case of Nakuru County

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Abstract: *Treasury management has been and still is a global concern not only in formal corporate world but also in informal financial sector. In Financial institutions, treasury management is about the aspect of risk management by measuring it, controlling it, diversifying it and hedging it. Risk taking is the heart of every financial institution and it is the conscious engagement in risk that constitutes the economic value of financial intermediation. Treasury risk management therefore refers to the process of identifying a suitable trade-off between risks and return in order to maximize the existing opportunities in a society's operational environment. The advent of regulation in the SACCO sector and the development of commercially autonomous member-based cooperative organizations which are democratically and professionally managed, self-controlled and self-reliant business enterprises means that Cooperative societies can now compete with other business enterprises for the financial business market share. The researcher therefore sought to establish whether licensed deposit taking SACCO societies have adopted the practice of treasury risk management and how this has affected their financial performance. To establish this, the researcher adopted a survey study since it describes in-depth the nature of the phenomenon and examines actions as they happen rather than manipulation of the variables. The research targeted Internal Auditors, Banking/Fosa managers, Finance Managers and Risk managers of licensed deposit taking SACCO societies operating within Nakuru County selected using simple random sampling method to achieve a response level of at least 30%.Data was collected using questionnaires which were tested for validity and reliability. The research findings revealed that not all SACCOs have implemented treasury risk management practices in their treasury operations thus some had not identified the specific risks facing their treasury operations. The collected data was analyzed and tested using t-test on SSPSS version 20. The analyzed dataconfirmed that the implementation of treasury risk management practices has an effect on the regulatory compliance of some selected financial ratios and the financial performance of SACCO Societies.*

Keywords: *Deposit-Taking SACCO, treasury risk management, financial performance*.

I. Introduction

Treasury management has been and is still a global concern not only in formal corporate world but also in informal financial sector (Shiller, 2012). Unlike banks Sacco's have been adversely affected due lack of expertise management, financial muscles and in-depth awareness in the management of treasury (Mehran, Morrison, & Shapiro, 2012). For centuries, no single definition can be termed as precise and complete, comprehensively outlining the concept of treasury management in depth. However, one such definition that has gained general acceptance is that Treasury management is the overall administration of a corporate's cash flow as well as the creation and governance of policies and procedures that ensure the company manages risk successfully (Lam, 2014; Polak, Robertson, & Lind, 2011).

Raussand (2013) states that, historically treasury management was centered on Working Capital management this became more evident when during the 1992/93 World Financial crisis, most countries that were able to avoid its worst effects were those that used capital controls in managing their economies and financial sector (Epstein, Grabel , & Jomo, 2003). In their study, Epstein, Grabel , & Jomo (2003) seek to demonstrate that capital controls in many developing countries have made numerous important achievements in their economic development and stability. Thus the importance of capital controls at the national level.

Treasury risk management is the process of managing a firm's liquidity, mitigating its operational, financial and reputational risk(Lam, 2014).The objective of treasury risk management is to provide an independent measurement and monitoring the market and other risks being undertaken across various treasury businesses. It requires clear reporting with parameter (metrics) linked to the control of risks arising from trading and other treasury operations (Van Greuning & Brajovic, 2003) In view of the above functions therefore, treasury risk management is an umbrella term which reffers to a collection of functions all geared towards the

management and control of cash; that is, liquidity management. This not forgetting the risk management aspect to ensure that the cash in question either retains or increases its value.

With the launching of the SACCO Societies Regulatory Authority and the Enactment of the SACCO societies (Deposit Taking SACCO business) Regulations, 2010, more pressure has been put on SACCOs to ensure more professional operations management. The strict compliance requirements and increased competition from banks with a more informed membership has added pressure to the societies operations thus the inevitable need to change from the traditional cash management practices to a more professional treasury management with specific attention to risk control and management.

While a lot of attention has been concentrated on Banks treasury risk management, until recently, very little attention has been drawn to SACCO societies' practices of treasury risk management. Njagi, (2009) looked at effectiveness of know your customer policies adopted by commercial banks in Kenya in reducing money laundering and fraud incidences. Waweru, (2011) Carried out an investigation into the cash management challenges in Savings and Credit co-operatives (SACCOs) in Nakuru County, Kenya. Wanjiru, (2011) Studied strategic responses of Equity Bank to fraud related risks and Ogol, (2011) Studied Liquidity risk management practices in microfinance institutions in Kenya. These studies have mainly concentrated on Fraud and liquidity risk which is just but a portion of the risks facing treasury management. The question therefore remains as to whether deposit taking SACCO Societies have adopted professional treasury risk management practices in their day to day treasury operations, and whether this implementation has enabled them improve on their liquidity and general financial performance and thus ensuring compliance with the requirements of the SACCO Societies (Deposit-taking SACCO business) regulations 2010 in terms of liquidity maintenance requirements.

The study aims to establish the risk management practices adopted by SACCO societies in their day to day treasury management in the current advent of more informed membership and staff force and the effectiveness of these measures as reflected in the Societies' Liquidity and general financial performance. This study therefore aims to look into the risk management strategies and practices adopted by deposit taking SACCO Societies in Kenya in their day to day treasury management operations and how they affect the Societies' Liquidity performance. It also seeks to inquire on where deposit- taking SACCO Societies go wrong in their treasury management practices thus exposing their funds to risk resulting to possible non-compliance with the required liquidity ratios and low financial performance.

II. Research Methodology

Survey study research design was used for this study. This was chosen as it describes in depth the nature of the phenomenon and examines actions as they happen rather than manipulation of variables(De Vaus, 2013) This design was preferred because it takes data from a sample of a given population, in order to make assumptions about that population. The target population for this study wasInternal Auditors, Banking/ Fosa Managers, Finance Manager and Risk Managers of all the registered and licensed deposit taking SACCO societies operating within Nakuru County. There are 160 Licenced and registered Deposit taking SACCO societies in Kenya of which (five) 5 have restricted licensing of up to 30th June 2015. Of the Fully licensed SACCOs, Nakuru county accounts for 4 fully licensed deposit taking SACCO societies (i.e those whose registered offices are based within Nakuru county). Considering that the sample was very small the target group was set to be be atleast three officers of all the SACCOs operating within Nakuru County either as head office or by virtue of a branch representation. This accounted for 12 Fully Licensed SACCO Societies. This enabled the researcher achieve a good representative of the population to cover for the instances where some questionnaires were not responded to. The sampling procedure used in arriving at these specific SACCOs was Simple Random Sampling. This ensured that each element in the population had an equal opportunity of being selected. A questionnaire was used for data collection because it offers considerable advantages in its administration. Two types of validity were examined in this study namely; face validity and content validity. During the construction of the data collection instrument in this study, validity was be ensured through face validity, where the instrument was subjected to two experts to check whether it will measure what it is intended to measure and content validity, where the instrument was designed according to the study variables. Piloting of the study was carried out to enable the researcher assess the clarity of the questionnaire items and those items which were found to be inadequate or vague were modified to improve the quality of the research instrument, thus increasing its reliability. . Cronbanch alpha coefficient tests were run to test the reliability of the sollected data. Risk managemen practices had a cronbanch alpha value of (0.764), Compliance level (0.767) and Financial performance (0.785) these are above the minimum measure of 0.6 and thus were considered reliable. The research data was obtained from both primary and secondary sources. The data was then summarized, coded, tabulated and analysed using both descriptive and inferential statistics. Descriptive statistics included those of the mean, standard deviation and frequency distribution while inferential statistics involved the use of multiple regression analysis. Data presentation was done by the use of pie charts, bar charts, percentiles and frequency tables. This ensured that the gathered information would be clearly understood. SPSS Version 20 was used to

perform the analysis as this aide in organizing and summarizing the data by the use of descriptive statistics such as tables. A linear regression analysis was also carried out on the data to confirm whether there exists any relationship between treasury risk management practices and the regulatory compliance of selected compliance ratios and between treasury risk managemetn practices and the financial performance of the SACCO societies as measured by the CAMEL rating system of bank supervision.

III. Research Results

The respondents to the questionnaires were analyzed according to their asset base, number of branches, Fosa/Banking hall operation structure, risk managament responsibility and treasury risk documentation.

3.1 Asset base distribution

on the basis of Asset base, All the Societies from whom responses were received had a asset base of between one billion shillings and five billion shillings (Sh. 1,000,000,000 – Sh. 5,000,000,000). The distribution was as presented bellow.

Table 3: Asset Base Distribution

Asset Value	Frequency	Percentage
Up to Sh. 1,000,000	0	0%
From Sh. 1,000,001 to Sh. 100,000,000	0	0%
From Sh. 100,000,001 to 500,000,000	0	0%
From Sh. 500,000,001 to Sh. 1.000,000,000	0	0%
From Sh. 1,000,000,001 to 5,000,000,000	6	100%
From Sh. 5,000,000,001 and above	0	0%
Total	**6**	**100%**

Source: Survey Data, 2015

This implies that the societies in question were operating at an almost equal operational level and by virtue of their asset base, the Societies can be said to have similar operational capacity. According to the SASRA's SACCO peergroup ranking, the above societies are ranked as Medium Sized SACCOs(SASRA;, 2014).

4.2.1.2. Number of branches

Basing on the number of branches, 50% of the respondents have five and more fully operational branches within the country. The distribution of the respondent in accordance to the branch network is as follows.

Table 4: Number of Branches

Number of branches	Frequency	Percentage
One Branch	0	0%
Two Branches	1	16.66%
Three Branches	1	16.67%
Four Branches	1	16.67%
Five and above	3	50%
Total	**6**	**100%**

Source: Survey Data, 2015

The number of branch networks shows the operational size and accesibility of the services offered by the Societies to its membership (SASRA;, 2014).

4.2.1.3. FOSA/ Banking Hall Operation Structure

Table 5: FOSA/Banking Hall Operation Structure

FOSA Operation Structure	Frequency	Percentage
Banking Manager, Chief Teller, Custodian, Tellers	3	33.33%
Finance Officer, Chief Teller, Custodian, Tellers	0	0%
Fosa Manager, Custodian, Tellers	3	66.67%
Other	0	0%
Total	**6**	**100%**

Source: Survey Data, 2015

The banking hall operational structure is an indication of the basic structural controls put in place to manage treasury risks as and when they occur. This is in line with the three lines of defence risk management strategy.

4.2.1.4. Risk Management Responsibility

The International Standards for the Proffesional Practice of Internal Auditng (IPPF), provides under Section 2120C3 that, when assisting management in establishing or improving the risk management process, Internal Auditors must refrain from assuming any management responsibility by actually managing risks. From

the response analysis, on one Society representing 16.67% of the respondents had separated the risk management function from the Internal Audit department as illustrated bellow.
Table 6: Risk Management Responsibility

Treasury Risk Management and control responsibility	Frequency	Percentage
Internal Audit	5	83.33%
Risk Management Department	1	16.67%
Total	**6**	**100%**

Source: Survey Data, 2015

While studying liquidity risk management practices in microfinance institutions, (Ogol, 2011) found out that, the organizational sructure and operating environments of microfinance institutions provide unique structures. Ogol, (2011) reccomended that, the organization structure and incentive system should be aligned with the goals and objectives of the risk management program.

4.2.1.5 Treasury risk documentation

The response revealed that, only one of the SACCO Soceities interviewed did not maintain a risk register and as such has not identified its treasury risk exposure level. The response analysis were as documented in the table bellow

Table 7: Treasury Risk Documentation

Treasury risk register	Frequency	Percentage
Maintained	5	83.33%
Not maintained	1	16.67%
Total	**6**	**100%**

Source: Survey Data, 2015

In his book on Enterprise risk management; From incentive to controls, Lam, 2014 points out that risk control lies on the internal control measures that are set to ensure that risks are identified as soon as they occur and the whole management process is effectively documentated and communicated for viability. The main tool for risk documentation and analysis is the risk register. In a related study, Ambira & Kemoni, (2011) found out that Commercial banks used internal ratings and classified borrowers in different risk levels in Kenya. However, the study further revealed that the banks had inadequate records management practices which in turn undermined the risk management function.

4.3 Inferential analysis

This section summarizes the research data and findings presented and analyzed on the basis of the research questions. The data summary will mainly be presented in form of tables and figures will be used to present where appropriate.

4.3.1. Types of treasury risks faced by SACCO Societies operating in Nakuru County

The respondents were asked to list any five kinds of risks faced by their societies in their course of treasury operations and indicate the risk exposure as per their risk registers as at 31st December 2014. The response was from five Societies that maintained a risk register as follows.
Table 8: Identified Treasury Risks and exposure levels

Risk Rating / Type of Risk	Low	Medium Low	Medium	Medium High	High	Total
Fraud Risk	0	0	0	0	5	5
Liquidity Risk	0	1	3	1	0	5
Credit Risk	0	0	3	1	1	5
Interest rate risk	0	2	1	2	0	5
Operational Risk	0	3	2	0	0	5
Investment risk	0	1	1	0	0	2
Reputation risk	3	1	0	1	0	5

Source: Survey Data, 2015

The response indicate that Fraud risk is the highest risk facing SACCO societies where all the respondents have their exposure rating to this risk as high. Liquidity risk and Interest rate risk follow with medium exposure bearing the highest frequency then operational risk. Most societies had low risk exposure to reputation risk with investment risk being identified by only two societies with a risk exposure of medium to medium low.

In the annual supervision report, the regulator, SASRA identified that among the top complains and inquiries done on deposit taking SACCO societies in 2014, is suspected fraudulent management, embezzlement of members funds and other incidences of related fraud complaints (SASRA, 2014).

4.3.2. Risk control measures put in place to mitigate against treasury risks

In the book "Cybernetic approach to project Management", Lent, (2013) identified four risk management strategies. the respondents were asked to identify the strategies employed for the five commonly identified risks and the response was as follows.

Table 9: Treasury Risk Control Measures

Risk Management strategy / Type of Risk	Risk Avoidance	Risk Reduction	Risk Transferring	Risk Retention/Absorption	Total
Fraud Risk	0	0	5	0	5
Liquidity Risk	0	4	1	0	5
Credit Risk	0	4	1	0	5
Interest rate risk	0	4	0	1	5
Operational Risk	0	2	3	0	5
Reputation risk	5		0	0	5
Total	5	14	10	1	30

Source: Survey Data, 2015

Figure 1.4: Risk Management strategies adopted

Source: Survey Data, 2015

From the chart above, the most common risk management strategy adopted by SACCO Societies operating within Nakuru County is risk reduction where the societies have minimized/mitigated against the risk exposure and closely monitor the risks so as to keep them within the acceptable limits. Followed by Risk transferring or sharing where the risk has been transferred or is shared with a third party then risk avoidance where the society has completely eliminated the risk and is no longer involved in its management. The least adopted strategy is risk absorption where the society accepts the value for the risk and even provides for it in its annual budget. While studying the effect of credit risk management practices in lending portfolio among Savings and Credit Cooperatives in Kenya, Langat, Mugo, & Otuya, (2013) found out that, for SACCOs in Kenya, the use of tight risk mitigation policies such as insurance cover and diversification strategies influenced their lending portfolio.

4.3.3. The Societies Level of Financial Performance Associated with the management of the treasury risks identified

The level of financial performance was measured on the basis of regulatory compliance and on CAMEL rating system of bank supervision. For reasons of confidentiality, the respondents' identity shall be concealed in this analysis and the Societies shall be identified by the codes S1, S2, S3, S4, S5 and S6.

4.3.3.1. Regulatory Compliance

Table 10: Regulatory Ratios

Society / Regulatory ratio	Minimum regulatory requirement	S1	S2	S3	S4	S5	S6
Liquidity Ratio	Minimum 15%	8.82%	15%	12%	18.70%	9.95%	15%
Land and Building to total Assets Ratio	Maximum 5%	0.26%	2%	0.54%	0.09%	7.42%	4.5%
Financial Investments to Deposit Liability Ratio	Maximum 5%	2.47%	1.5%	2.39%	0.08%	2.69%	2.3%
Non- Earning Assets to total assets ratio	Maximum 10%	7.38%	9.2%	1.35%	0.86%	9.04%	7%

Source: Survey Data, 2015

To enable data comparison for purposes of decision making, the above data was graded on the score of "1" for compliance and "0" for non-compliance. The results were as follows;

Table 11: Compliance Score

Society / Regulatory ratio	S1	S2	S3	S4	S5	S6
Liquidity Ratio	0	1	0	1	0	1
Land and Building to total Assets Ratio	1	1	1	1	0	1
Financial Investments to Deposit Liability Ratio	1	1	1	1	1	1
Non- Earning Assets to total assets ratio	1	1	1	1	1	1
TOTAL SCORE	3	4	3	4	2	4

Source: Survey Data, 2015

The above data was then compared with the Societies, risk management structure, risk management responsibility and risk documentation to establish whether the compliance performance had any bearing in the risk management practices adopted by the societies. Risk documentation was rated on the basis that the society maintained a risk register and was guided by a risk management policy. The risk management structure was based on the involvement of all treasury staff in risk management and the risk management responsibility based on the existence of a risk management department or use of any other department other than the Internal Audit department. This are scored as 1 for a YES and 0 for a NO. The data analysis results basing on the above parameters was as follows.

Table 12: Risk Management Practice Score

Society / Risk Management practice	S1	S2	S3	S4	S5	S6
Risk Responsibility	0	0	0	0	0	1
Risk structure	1	1	0	0	0	1
Risk Documentation	1	1	1	0	1	1
TOTAL SCORE	2	2	1	0	1	3
COMPLIANCE SCORE	**3**	**4**	**3**	**4**	**2**	**4**

Source: Survey Data, 2015

From the above analysis, Society, S4, with a risk management practice score of 0 has met the highest compliance score of 4. It can therefore be concluded that risk management practices do not have an influence on the compliance of the regulatory requirements for the selected ratios affecting a society's liquidity. In his study on commercial banks versus rural SACCOs in Tanzania, Magali & Qiong, (2014) found that banks have effective credit risk management practices than the rural SACCOs thus while banks were making 100% profits, SACCOs were only making 30% profits. They concluded that like banks, there was need for SACCO societies to embrace risk management practicesin order to improve on their financial performance.

4.3.3.2. CAMEL rating system of Bank Supervision

When other Financial Performance measures, i.e. Capital Adequacy, Asset Quality, Management Quality, Earnings Ability and Liquidity management (CAMEL) were incorporated into the analysis, the results were as follows;

Table 13: CAMEL Score

Society	S1	S2	S3	S4	S5	S6
Risk management practice score	2	2	1	0	1	3
CAMEL score	**1**	**2**	**3**	**3**	**3**	**1**

Source: Survey Data, 2015

Where;

A Score of 1 indicates Sound Financial Performance; a Score of 2 indicates Fundamentally Sound performance, a score of 3 indicates generally weak performance, a score of 4 indicates weak performance and a score of 5 indicates poor performance.

From the above findings, Societies S1 and S6 scored 1 indicating Sound Financial performance. According to the CAMEL rating system of banking supervision, this score indicates Substantial compliance with laws and regulations, stable financial performance with strong risk management practices. Society S2 had a CAMEL score of 2 indicating fundamentally sound financial performance which signifies that the society has substantially complied with laws and regulations and has moderate weaknesses with satisfactory risk management practices. Societies S3, S4 and S5 had a CAMEL score of 3 each indicating weak performance thus signifying that the Societies had general weaknesses in one or more component areas and are vulnerable to external influences with less than satisfactory risk management practices. The SACCO Societies regulatory authority affirms the use of the CAMEL rating system which it has also adopted in carrying out risk based supervision of Deposit taking SACCO Societies in Kenya (SASRA;, 2014).

4.3.3.3 Statistical analysis

Linear regression analysis and t-test statistics were carried out on to test whether the practice of treasury risk management has an effect on the compliance of SACCO societies with the selected regulatory ratio requirements and whether the implementation of treasury risk management practices has an effect on the Financial performance of the SACCO Societies, financial performance inthis case being measured on the basis of CAMEL system of bank supervision. The data was run through SPSS version 21 and the results were as follows;

Testing the null hypothesis there is a significant relationship between the practice of treasury risk management and regulatory compliance at 95% confidence level

Table14. Pearson Correlation coefficient for Compliance score

Correlations

		Compliance score	Risk management
Pearson Correlation	Compliance score	1.000	-.127
	Risk management	-.127	1.000
Sig. (1-tailed)	Compliance score	.	.406
	Risk management	.406	.
N	Compliance score	6	6
	Risk management	6	6

Source; Survey data 2015

Table15. t-test for compliance score

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	3.303	.633		5.214	.006	1.544	5.062					
Risk_management	-.091	.356	-.127	-.255	.811	-1.079	.897	-.127	-.127	-.127	1.000	1.000

a. Dependent Variable: Compliance_score

Source; Survey Data 2015

Table16. Correlation Coefficient (Compliance score)

Coefficient Correlations[a]

Model			Risk management
1	Correlations	Risk management	1.000
	Covariance's	Risk management	.127

a. Dependent Variable: Compliance score

Source; Survey data 2015

A one tailed significant value of 0.811 was achieved which is greater than 0.05 thus indicating that there is no statistically significant difference between treasury risk management practices and regulatory compliance. A Pearson's correlation coefficient of 1 confirmed that there is a strong correlation between the practice of treasury risk management and regulatory compliance of the selected ratios.

Testing the null hypothesis there is a significant relationship between the practice of treasury risk management and financial performance at 95% confidence level;

Table17. t-test for financial performance

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	3.394	.407		8.336	.001	2.264	4.524					
Risk management	-.818	.229	-.873	-3.576	.023	-1.453	-.183	-.873	-.873	-.873	1.000	1.000

a. Dependent Variable: Financial performanceSource; Survey data 2015

Table18. Durbin-Watson statistic measure

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.873[a]	.762	.702	.537	.762	12.789	1	4	.023	2.175

a. Predictors: (Constant), Risk management

b. Dependent Variable: Financial management

Source; Survey data 2015

A one tailed significant value of 0.023 was achieved which less than 0.05 is thus indicating that there is a statistically significant difference between treasury risk management practices and financial performance. A Correlation coefficient of 0.702 confirmed that there is a correlation between the practice of treasury risk management and regulatory compliance of the selected ratios.

All the societies reviewed were of an almost same size as indicted by the asset value but at different stages of growth as indicated by the branch networks. The main objective of the study was to establish the measures put in place by SACCO Societies to deal with the major risks associated with treasury management in the current advent of a more informed membership and staff force and the effectiveness of these measures as reflected in the Societies liquidity and general financial performance.

IV. Discussion

Most of the societies reviewed had adopted a risk reduction strategy where the societies minimize or mitigate the risks to acceptable levels then keeps monitoring them to keep their probability of occurrence low. Whereas all the societies reviewed apart from Society S4 had adopted risk management practices to some level, the societies except Society S1, S2 and S6 have not cascaded the risk management function to the actual risk owners, in this case the head of the treasury section. The societies have left the responsibility of risk management to the Internal Auditors who are limited by their professional standards on the extent of their involvement in the whole risk management function. A statistical analysis of the findings revealed that the implementation of treasury risk management practices has an effect on both the regulatory compliance and financial performance of SACCO Societies.

V. Conclusion

On the basis of the research findings, it can thus be concluded that, not all SACCO Societies operating within Nakuru County have adopted risk management practices that could enable them identify the risks facing their day to day treasury risk operations as evidenced by the risk management score. However, the societies that analysed their risk exposure identified, Fraud risk as the highest risk facing their treasury operations thus more measures need to be put in place to manage this risk.

The most common treasury risk management and control measure put in place by SACCO Societies is risk reduction which involves the minimization of risks to acceptable limits then closely monitoring it to keep its probability of occurrence low. However, the societies have not adopted an all-inclusive risk management structure which involves all the staff at all levels of treasury operations thus enabling risk detection at its earliest stage of occurrence. Finally, the practice of treasury risk management has a significant effect on the regulatory compliance and financial performance of deposit taking SACCO Societies operating within Nakuru County. In this case therefore, SACCOs have to implement good and efficient treasury risk management practices for them to fully comply with the regulatory compliance ration requirements and for improved financial performance.

VI. Recommendations

Considering that treasury operations, being the management of funds which is the lifeblood of the Societies, SACCO Societies should implement sound treasury risk management practices so as to ensure that they maintain a competitive edge as an investment option amongst other players in the financial industry as backed up by their financial stability.

Suggestions for further research

This research only concentrated on the effect of treasury risk management on the financial performance of SACCO Societies. However, financial performance is also affected by other aspects such as the capital management, governance practices and the personnel management skills among other factors. The effectiveness of treasury risk management is also dependent on the personnel skills and availability of resources which did not form part of this research. These therefore form the basis for further research in this field.

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