

Abstract

Savings and Credit Co-operative (SACCO) is a financial institution that is owned and controlled by its members and operated for the purposes of promoting thrift, providing credit at low interest rates and providing other financial services to its members. Over the years the SACCOs have expanded financially and even started banking like services which were called Front Office Service Activities (FOSA) in attempt to increase efficiency in service delivery but instead led to illiquidity, capital inadequacy, poor credit management and low confidence among members. The rapid growth and such failures in the SACCO Sub-sector created the need for SACCO Specific legislation hence the enactment of the SACCO Societies Act (2008) to specifically regulate and supervise their operations. The purpose of this study was to establish the effects of liquidity ratio on Financial Performance of Deposit Taking SACCOs (DTS) in Kenya. Relevant literature was reviewed to ascertain the knowledge gap left by previous scholars. The study targeted a total of the 175 DTS registered and operating in Kenya. Random sampling was used to select 30 DTS which formed the sample of this study which utilized Comparative research design. Secondary data was used and data analysis was done using both descriptive and inferential statistics with the aid of SPSS version 21. The study findings indicated that Liquidity ratio as recommended by SASRA had the highest effect on financial performance of DTS in Kenya in the period Post LMRS. The LMRS have a positive impact on the financial performance of deposit taking SACCOs in Kenya. The study recommends further research in other areas relating to risk management framework because DTS like any other financial institution are affected by multiple risk factors, and there is need to expound on other measures of performance.