

## **Effect of Cash Flow on Financial Performance of Selected Multipurpose Cooperative Societies in Abuja, FCT-Nigeria**

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### **Abstract**

*This study investigated the effect of cash flow on the financial performance of Multipurpose Cooperative Societies (MPCS) in Abuja, the Federal Capital Territory; specifically, the study examined the effect of cash flow on performance as it relates to assets (ROA) of MPCS and to examine the extent to which cash flow affect performance in relation to return on equity (ROE) of MPCS. The Ex-post facto research design was adopted. This study made use of secondary data covering a period of 5 years i.e. 2017 –2021, which were obtained from the financial statements of the selected MPCS. Panel regression spanning through 5 years was estimated using diverse techniques including; descriptive statistics, correlation analysis, multiple regression, standard deviation and random panel regression model. Data analyses were done using E-view 9.0 Findings of the study showed that cash flow has a positive and significant effect on ROA of selected MPCS. Cash flow has a positive and significant effect on ROE of selected MPCS, and so contributes significantly to the performance in terms of ROE of selected MPCS.*

**Keywords:** Cash Flow, Financial Performance, Multipurpose Cooperative Societies

**JEL Classification Codes:** E51, G01, C71

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### **1. Introduction**

Cash flow from operating activities as explained by Adegbie and Fakile (2018), is the effects of transactions and other events relating to trading activities, included in the profit and loss in arriving at the operating profit. In organizations, cash usually takes two directions: inflow and outflow; the difference between these concepts results in cash flow (Akinloye, 2015). Thus, a financial manager in an organization makes it a priority to ensure that cash outflow does not outweigh the cash inflow. Net positive cash flow connotes there is prudent management of cash under the three activities in the organization, which are: operating, investing and financing activities. Cash

flows from investing activities are cash inflows and outflows associated with the purchase and disposal of productive facilities used by the company and for investments in the security of other companies, while cash flow from financing activities include inflows and outflows of cash involved in obtaining cash from external sources for the purposes of financing the company and its operations (Adedeji & Oboh, 2017).

In the management of liquid resources, cash inflows include withdrawals from short term deposits not qualifying as cash and disposal or redemption of any other investments held as liquid resources. Financing activities are cash proceeds from issuing shares or other equity instruments, cash payments to owners to acquire or redeem the entities shares, cash proceeds from issuing debentures loans notes, bonds, mortgages and other short-term or long –term borrowings, cash repayments of amounts borrowed and cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease (Altman, 2013).

Cash inflows and outflows are the heartbeat of every business endeavours. One of the main reasons that businesses fail is their inability to meet their financial obligations when they fall due as they have run out of cash. Knowing how to maintain a healthy cash flow is essential to a successful business. Lack of cash flow data has caused problems for investors and analysts in assessing a company's performance and has been major issues for diverse companies in meeting up with their obligations. This study intends to come out with effective and efficient ways to manage cash flow in cooperative societies, as it relates to return on assets (ROA) and return on equity (ROE) which previous works have not specifically investigated. The specific objectives of the study includes; to examine effect of cash flow on performance (ROA) of MPCS and to determine the extent to which cash flow activities affects the performance (ROE) of MPCS

## **2. Literature Review**

### **2.1 Conceptual Review**

#### **2.1.1 Concept of Cash Flow**

Akinloye (2015) opined that, cash flow is the amount of cash or cash-equivalent which the company receives or gives out by the way of payment(s) to creditors. Cash flow analysis is often used to analyze a company's liquidity position. It gives a snapshot of the amount of cash coming into the business, from where, and amount flowing out. Akpan (2017) is of the view that the availability of finance is one of the most important factors that constrain a firm's investment. Whether firms can secure the funds they need to undertake their profitable investment is an important consideration for growth. Such funds could be externally or internally generated. Funds could be generated

externally via equity or debt financing (Ali, Alireze, & Jalal, 2015). In real life, the capital market is not perfect due to the presence of information asymmetries. As a result, economic agents are not equally well informed; consequently, outside investors will ask for a premium to purchase a firm's equity. Funds can be generated internally through owner's investments, retained earnings, sales of stock, sales of fixed assets and debt collection.

Gombola and Ketz (2016) opined that cash payments for inventories, operating expenses, taxes, interests and dividends are considered as cash outflows. In addition, this section is regarded as crucial for companies since it highlights their success in operations and working capital management. Danson, David, & Riro, (2017) are of the view that cash inflows are associated with the sale of long term assets such as buildings; equally, this activity occurs through long-term asset purchases. In general, there could be a cash inflow or outflow from investing activities. On the other hand, cash inflows may sometimes be equal to cash outflows.

### **2.1.2 Concept of Performance**

Firm performance is the criterion through which a company is adjudged by an investor to commit his hard earned resources. Several companies as a result of dismal performance reflected in their losses, return on asset, return on equity, earnings per share, Tobin's Q, market price per share, return on sales, and other performance measures had closed down (Danson *et al*, 2017). Abdullahi (2019) opine that performance is a multi-dimensional construct, the measurement of which varies depending on whether the measurement objective is to assess performance outcomes or behaviour; and sees performance as individual efforts that will lead to a specific outcome that will be matched with expected reward by managers.

Omaliko and Okpala (2020) are of the view that performance is usually represented by different financial ratios such as total asset growth rate and earnings growth rate. The performance of management is habitually a narrative expression through subjective evaluation of management systems. Organizational discipline, control system and quality of staff. Financial performance predominantly shows the sector of a business outcome as well as results, showing the overall financial health condition of the business sector over a particular time period (Ali *et al*, 2015). Performance is in two forms which are financial performance and non-financial (Mishra & Mohanty, 2015). Performance measurement is vital for organisations as it enhances effective business management. is about the consequence of company's operations or achievement of company's goals (Gavrea, Livill, & Stregerean, 2011). They expressed further that, performance is the organization's ability to exploit its

surrounding, efficient use of its scarce resources and reveals the general health in sustaining its operations.

### **2.1.3 Concept of Return on Assets (ROA)**

This is an important financial performance ratio because it measures the efficiency with which the firm is managing its investment in assets and using them to generate profit (Zhou & Wang, 2019). Return on assets is a ratio that describes a company's capability to benefit from its assets (Kale, 2017). Increasing the ROA value, of course, will increase the benefits you get. This is because the level of return on investment is getting bigger, therefore ROA is also used to describe how far the company's ability to make profitability from available assets. Shama and Kumar (2013) argues that ROA can be calculated by dividing Earnings before Interest and Taxes by the company's total assets which are then multiplied by 100%. They stressed further that, ROA is the company's ability to generate profits with its assets. The profit used to calculate ROA is profit before interest and taxes or EBIT (Earnings Before Interest Tax). The ROA formula according to Shama and Kumar is:  $ROA = \text{earnings before interest and tax} / \text{total asset} * 100/1$

Return on assets (ROA) is a better measure of financial performance than income statement profitability measures like Return on Sales as opined by (Hagel, Brown, & Davison, 2010). They stressed further that ROA explicitly takes into account the assets used to support business activities, as it determines whether a company is able to generate return on these assets rather than simply showing return on sales. Return on assets (ROA) is the Net Income after Taxes (NIAT) divided by Total Assets.

## **2.2 Theoretical Review**

### **2.2.1 Cash Management Theory**

Baumol (1952) proposed this theory by providing a formal cash management model. Baumol came to the conclusion that money can also be treated as a specific type of stock and the model can as well be used to determine the appropriate level of cash, which minimize the total transaction costs and alternative cost as a result of maintaining a given level of cash.

Brigham and Ehrhardt (2019) backed this theory by stating that cash management purpose is determining and achieving levels and structures which are appropriate for marketable securities and cash which are consistent with the business objectives and nature. This model applied economic order quantity (EOQ) to cash. Order costs are formed by clerical work and brokerage fees while holding cash costs form cash out costs and foregone interests (Gonen, Weber, Tavor & Spiegel, 2017). However, Baumol's model is the

most sensible, simplest and provides direct information for determining optimal cash position.

This theory is applicable in this study in that it helps in understanding how MPCs' management of cash has impacted on its liquidity. Most operations by MPCs involve cash advancements and it's a requirement to maintain a minimum level of cash. For this to be done MPCs need to take variety of activities because of integrative nature of cash to their operation. The theory therefore is of essence in this study on the bases of the policy the MPCs may have in place with regards to cash management so as to avoid illiquidity.

### **2.3 Empirical Review**

Kinyanjui *et al.* (2017) conducted an assessment on cash management practices on financial performance of small and medium enterprises (SMEs) in Nyeri town, Kenya. The study acknowledged that SMEs lacked skills and knowledge on cash handling practices hence performing badly. A descriptive research design was adopted and descriptive statistics used for analysis. The study revealed that cash holding practices and use of technology in cash management had an influence on financial performance of SMEs in Nyeri. The study recommended that all stakeholder involved in a business operation should embrace technology to enhance electronic money exchange for security and openness.

Kamande (2017) studied the relationship between financial management practices and financial performance of dairy industry in Kenya. The research design employed in the study was a cross-sectional research design where the researcher examined the financial performance of dairy processors for the year 2015/2016 financial year and sought to look at four aspects of financial management practices namely: financial reporting analysis, fixed asset management, capital structure management and working capital management. Performance was measured by the return on assets (ROA) and regression analysis used to determine the resulting relationship. The regression analysis found that without the four financial management practices, the dairy processor financial performance would be dismal. It is also evident that working capital management enables the dairy processors to be able to readily operationalize its activities.

Nwanyanwu (2015) examined cash flow and organizational performance in Nigeria: hospitality and print media industries perspectives. The study examined the relationship between cash flow and organization performance from the perspective of the hospitality and print media industrial sectors of the economy. From a pilot study forty-five small and medium enterprises (SMEs) in these sectors were sampled. Data

were collected through questionnaire. Analyses were performed by means of descriptive statistics and Pearson's product moment coefficient of correlation using the statistical package for social sciences (SPSS). Results indicated a significantly strong positive relationship between cash flow position and net profit. Consequently, cash flow position determines the extent of net profit performance of organizations in the hospitality and print media. Considering advances in technology and quality of service delivery which create competition, hospitality and print media organizations should develop strategies to enhance their cash inflow.

Gregory (2015) is of the view that cash flow from operating activities demonstrates cash inflows and outflows which arise from revenues and expenses. In this respect, income statement and statement of financial position should be used to identify the amount of cash inflow or outflow. Cash sales and cash collections from trade receivables constitute cash inflows from these activities. On the other hand, Gombola and Ketz (2016) stated that cash payments for inventories, operating expenses, taxes, interests and dividends are considered as the cash outflows. In addition, this section is regarded as crucial for companies since it highlights their success in operations and working capital management.

Habib (2018) enthused that two methods are available for the determination of cash flows from operating activities. The first method, which is called as the indirect method, expresses net income on cash basis by making adjustments for non-cash items. Nevertheless, the second method or the direct method, considers comprehensive cash flows by examining accounts related to operating activities.

Cash from Investing Activities The purchase and sale of long term assets form cash flows from investing activities (Ekeocha,

Ekeocha, Malaolu & Oduh, 2017). They further reiterate that; cash inflows are associated with the sale of long term assets such as buildings and that, cash outflows occur through long term asset purchases.

John and Ohazulike (2021) investigate the effect of cash flow on financial performance of food and beverage firms in Nigeria. Specifically, the study examined the effect of cash on operating activities and profit for the year of food and beverage firms in Nigeria; to determine the extent to which cash from financing activities affects profit for the year, and to examine how cash from investment activities affects profit for the year of food and beverage firms in Nigeria. Ex – post facto research design was adopted. The study used secondary sources of data of listed food and beverage companies. While the analytical techniques used for the study were random panel regression model and descriptive statistics. It was revealed that cash from operating activities significantly affect profit for the year of food and beverage firms in Nigeria.

Cash from financing activities has significant effect on profit for the year of food and beverage firms in Nigeria and cash from investment activities significantly affect profit for the year of food and beverage firms in Nigeria.

## 2.4 Theoretical Framework

Pecking order theory states that firms prefer to finance new investment, first internally with retained earnings, then with debt, and finally with an issue of new equity (Odesa & Ekezie, 2015). It is argued that an optimal capital structure is difficult to define as equity appears at the top and the bottom of the ‘pecking order’. Internal funds incur no flotation costs and require no disclosure of the firm’s proprietary financial information that may include firm’s potential investment opportunities and gains that are expected to accrue as a result of undertaking such investments.

The pecking order theory is about what firm’s management prefer; a pecking order of alternative sources of finance that firm faces. First, firms chose internal finance that is using profits from previous years. Secondly, if there is no internal finance available, will firms chose to lend money from credit institutions such as banks. As a last option will firms issue new shares. Basically, the pecking order theory says that management favours internal financing to external financing.

The study is anchored on the Pecking Order Theory based on the premise that it discusses the movement of cash flow in organizations where most profitable organizations use internal financing firstly with retained earnings, then with debt, and finally with an issue of new equity.

## 3. Methodology

The research design adopted ex-post facto research design. This research is on the effect of cash flow on financial performance of Multipurpose Cooperative Societies in Abuja, FCT and was conducted in Nigeria. This study made use of secondary data covering a period of 5 years i.e. 2017 –2021 obtained from the financial statements of the selected MPCS in Abuja. Panel regression covering a period of 5 years was estimated using diverse techniques. The techniques include; descriptive statistics, correlation analysis, multiple regression, standard deviation and random panel regression model, such as:

$$y = a + b + e \dots\dots\dots 1$$

$$ROA = f(AR, AP, CF) \dots\dots\dots 2$$

$$ROA_{it} = \alpha + \beta_1 AR_{it} + \beta_2 AP_{it} + \beta_3 DF + \beta_3 CF + \varepsilon_{it} \dots\dots\dots 3$$

Where  $ROA_{it}$  is the market performance of firm i at time t

$AR_{it}$  is account receivable of firm i at time t

$AP_{it}$  is account payable of firm i at time t

$DF_{it}$  is debt financing of firm i at time t

$CF_{it}$  is cash flow of firm  $i$  at time  $t$

#### 4. Results and Discussion

Data collected from the financial reports of MPCs in Abuja in the form of cash flow, account receivable, account payable, debt financing, return on asset and return on equity were used in this study to estimate various statistical analyses such as panel regression, correlation analysis and descriptive statistics. Cash Flow is represented as CF, Debt Financing is represented as DF, Account Receivable is represented as AR, Account Payable is represented as AP, Return on Asset is represented as ROA and Return on Equity is represented as ROE.

**Table 1: Descriptive statistics of the variables**

	ROA	ROE	CF	DF	AP	AR
Mean	0.252039	0.854332	712787.0	284244.3	395669.1	572225.9
Median	0.126954	0.317917	417022.0	176213.0	415725.0	609060.0
Maximum	1.438547	6.521954	6914142.	859718.0	872559.0	985000.0
Minimum	0.022179	0.000861	109781.0	103759.0	143699.0	118516.0
Std. Dev.	0.335861	1.513182	1328000.	220190.6	216538.9	235910.9
Skewness	2.348896	2.518654	4.295464	1.239911	0.430042	-0.460166
Kurtosis	7.960954	9.152107	20.65371	3.188971	2.035694	2.776365
Jarque-Bera	48.62533	65.85718	401.5181	6.442944	1.739200	0.934401
Probability	0.000000	0.000000	0.000000	0.039896	0.419119	0.626754
Sum	6.300984	21.35829	17819675	7106107.	9891727.	14305647
Sum Sq. Dev.	2.707259	54.95324	4.231113	1.162312	1.133312	1.345412

Source: Researcher’s Computation Using E-Views 9.0

The data collected for this study is presented using descriptive statistics analysis in Table 1. The descriptive statistics for return on asset in this study shows average value of 0.25 over the period of review, median value of 0.12 which shows that the absence of outliers in the values. It has a maximum value of 1.43 and minimum value of 0.02. The variable has a standard deviation of 0.33 which suggests that the value of the observation is spread across its mean value of 0.25. The skewness statistics of the variable is 2.34, suggesting that it is positive, while the kurtosis statistics of 7.96 which suggests that the observation is leptokurtic in distribution. The Jarque-Bera statistics of 48.62 with a probability value of 0.00 suggests that the ROA is not normally distributed at 5% level of significance.

The data collected for this study is presented using descriptive statistics analysis. The descriptive statistics for return on equity in this study shows average value of 0.85 over the period of review, median value of 0.31 which shows that the absence of outliers in the values. It has a maximum value



of 6.52 and minimum value of 0.00. The variable has a standard deviation of 1.51 which suggests that the value of the observation is spread across its mean value of 0.85. The skewness statistics of the variable is 2.51, suggesting that it is positive, while the kurtosis statistics of 9.15 which suggests that the observation is leptokurtic in distribution. The Jaque-Bera statistics of 65.85 with a probability value of 0.00 suggests that the ROE is not normally distributed at 5% level of significance.

The cash flow in this study shows average value of 712787 over the period of review, median value of 417022 which shows that the absence of outliers in the values. It has a maximum value of 6914142 and minimum value of 109781. The variable has a standard deviation of 1328000 which suggests that the value of the observation is spread across its mean value of 712787. The skewness statistics of the variable is 4.29, suggesting that it is positive while the kurtosis statistics of 20.65 which suggests that the observation is leptokurtic in distribution. The Jaque-Bera statistics of 401.51 with a probability value of 0.00 suggests that the CF is normally distributed at 5% level of significance.

The account payable in this study shows average value of 395669.1 over the period of review, median value of 415725.0 which shows that the absence of outliers in the values. It has a maximum value of 872559.0 and minimum value of 143699.0. The variable has a standard deviation of 216538.9 which suggests that the value of the observation is spread across its mean value of 395669.1. The skewness statistics of the variable is 0.43, suggesting that it is positive while the kurtosis statistics of 2.03 which suggests that the observation is leptokurtic in distribution. The Jaque-Bera statistics of 1.73 with a probability value of 0.41 suggests that the AP is not normally distributed at 5% level of significance.

The account receivable in this study shows average value of 572225.9 over the period of review, median value of 609060 which shows that the absence of outliers in the values. It has a maximum value of 985000 and minimum value of 118516. The variable has a standard deviation of 235910.9 which suggests that the value of the observation is spread across its mean value of 572225.9. The skewness statistics of the variable is -0.46, suggesting that it is negative while the kurtosis statistics of 2.77 which suggests that the observation is leptokurtic in distribution. The Jaque-Bera statistics of 0.93 with a probability value of 0.62 suggests that the AR is normally distributed at 5% level of significance.

The debt financing in this study shows average value of 284244.3 over the period of review, median value of 176213 which shows that the absence of outliers in the values. It has a maximum value of 859718 and minimum value of 103759. The variable has a standard deviation of 220190.6 which suggests

that the value of the observation is spread across its mean value of 284244.3. The skewness statistics of the variable is 1.23, suggesting that it is positive while the kurtosis statistics of 3.18 which suggests that the observation is leptokurtic in distribution. The Jaque-Bera statistics of 6.44 with a probability value of 0.03 suggests that the DF is normally distributed at 5% level of significance.

**Table 2: Correlation Matrix**

	ROA	CF	DF	AP	AR
ROA	1.000000	-0.106338	0.028577	-0.276726	0.074407
CF	-0.106338	1.000000	-0.103143	0.242126	-0.115939
DF	0.028577	-0.103143	1.000000	-0.209914	0.100627
AP	-0.276726	0.242126	-0.209914	1.000000	0.120064
AR	0.074407	-0.115939	0.100627	0.120064	1.000000

Source: Researcher’s Computation Using E-Views 9.0

Table 2 indicates that there is a positive and negative association between financial management variables and performance of selected MPCs. There is also weak negative relationship between cash-flow and return on asset of selected MPCs. The table also reveals that there is weak positive association or relationship between debt financing and return on asset of selected MPCs. The study also reveals that there is a weak negative association or relationship between account payable and return on asset of selected MPCs. The table revealed that there is a weak positive association between account receivable and return on asset of selected MPCs.

**Table 3: Correlation Matrix**

	ROE	CF	DF	AP	AR
ROE	1.000000	0.028244	-0.236790	0.423760	0.106933
CF	0.028244	1.000000	-0.103143	0.242126	-0.115939
DF	-0.236790	-0.103143	1.000000	-0.209914	0.100627
AP	0.423760	0.242126	-0.209914	1.000000	0.120064
AR	0.106933	-0.115939	0.100627	0.120064	1.000000

Source: Researcher’s Computation Using E-Views 9.0

Table 3 indicates that there is a positive and negative association between financial management variables and performance of selected MPCs. There is also weak positive relationship between cash-flow and return on equity of selected MPCs. The table also reveals that there is weak negative association or relationship between debt financing and return on equity of selected MPCs. The study also reveals that there is a weak positive association or relationship between account payable and return on equity of selected

MPCS. The table revealed that there is a weak positive association between account receivable and return on equity of selected MPCS.

**Table 4: Panel Regression Result for Financial Management Variables and ROA**

Variables	t-test	p-value	Co-efficient
ROA			
CF	2.67	0.009	0.52
DF	0.90	0.36	0.04
AP	0.62	0.05	0.31
AR	-2.35	0.02	-0.31
C	1.86	0.06	0.10
F-test	3.6810959		
F(prob)	0.01		
R <sup>2</sup>	0.66		
R2 Adjusted	0.61		

Decision rule: 5%

Source: Researcher's Computation Using E-Views 9.0, 2023.

The result also shows that cash-flow has positive significant effect of return on asset of selected MPCS. The study also revealed that debt financing has positive, insignificant effect on return on asset of selected MPCS. The study revealed that account payable has positive, significant effect on return on asset of selected MPCS; while account receivable has negative positive effect on return on asset of debt financing has positive, insignificant effect on return on asset of selected MPCS.

Thus, we can conclude that cash flow is important in enhancing return on asset of selected MPCS. Also, debt financing does not improve return on asset of selected MPCS. The study found that account payable is effective in realizing return on asset of selected MPCS. It also found that account receivable is unique in enhancing return on asset of selected MPCS. The study is in line with the finding of Nwayanwu (2015) which found that there is a significantly strong positive relationship between cash flow position and performance (ROA). The regression result shows that the model is fit for the study since the f-statistics is significant at 5% level of significant. The R<sup>2</sup> is 0.66 indicates that only 66% of variation on financial management can be used to explain return on asset of selected MPCS, but 34% can be explained by other factors not noted in the regression model which is referred to as error term.

**Table 5: Hausman Test**

Test summary	Statistics	Chi-square(D.F)	Probability
Cross section(random)	6.281763	4	0.5651

Source: Researcher’s Computation Using E-Views 9.0, 2023

The Hausman test indicates that random effect model is the most appropriate to fixed effect model given the probability value of more than 0.05. Thus, the null hypothesis which states that random effect model is more appropriate and is accepted.

**Table 6: Panel Regression Result for Financial Management Variables and ROE**

Variables	t-test	p-value	Co-efficient
ROE			
C	2.12	0.03	0.22
CF	3.41	0.00	0.41
DF	12.15	0.00	0.03
AP	7.22	0.03	0.40
AR	-5.15	0.03	-0.11
F-test	4.121018		
F(prob)	0.02		
R <sup>2</sup>	0.56		
R2 Adjusted	0.48		

Decision rule: 5%

Source: Researcher’s Computation Using E-Views 9.0, 2023

The result also shows that cash flow has positive significant effect of return on equity of selected MPCs. The study also revealed that debt financing has positive, significant effect on return on equity of selected MPCs. The study revealed that account payable has positive, significant effect on return on equity of selected MPCs; while account receivable has negative positive effect on return on asset of debt financing has positive, significant effect on return on equity of selected MPCs. Thus, we can conclude that cash flow improve return on equity of selected MPCs. Also, debt financing effectively enhanced return on equity of selected MPCs. The study found that account payable contributed to return on equity of selected MPCs. It also found that account receivable negative and significant effect on return on equity of selected MPCs. The regression result shows that the model is fit for the study since the f-statistics is significant at 5% level of significant.

The R<sup>2</sup> is 0.56 indicates that only 56% of variation on financial management can be used to explain return on equity of selected MPCs, but

44% can be explained by other factors not noted in the regression model which is refer to as error term.

#### **4.1 Discussion of Findings**

The results of the analysis indicate that the model is fit for the study since the f-statistics is significant at 5% level of significant. The result also shows that cash-flow has positive significant effect of return on asset of selected MPCs. The results of the analysis indicate that the model is fit for the study since the f-statistics is significant at 5% level of significant. The result also shows that cash flow has positive significant effect of return on equity of selected MPCs. The study is in line with the finding of Nwayanwu (2015) which found that there is a significantly strong positive relationship between cash flow position and performance (net profit). Thus recommending that the organization should develop strategies to enhance their performance

The study indicates that variables such as cash flow, debt financing, accounts receivable, and accounts payable contribute positively to the performance of MPCs. These findings align with the conclusions drawn by Liman and Sani (2018) who found a statistically significant effect of Financial Management on performance. However, Babar, Ahmed & Kashif (2020) findings contrast with this study, as they reported an insignificant impact of Financial Management on performance of MPCs.

Moreover, the study's findings align with the Financial Intermediation Theory, which explains the process of financial intermediation. This theory emphasizes the importance of savings and borrowings within an economic system and highlights the role of financial institutions in facilitating such transactions. It highlights that financial institutions acquire funds through individual deposits, which are then lent to borrowers. The availability of mobile apps and branches by multi-purpose cooperative societies further extends financial services, even to rural areas. This concept is central to the intermediation theory, which emphasizes the role of financial institutions in providing a platform for surplus funds to be loaned to those in need, thus contributing to a better understanding of financial services and innovations.

#### **5. Conclusion and Recommendations**

The study concluded that cash flow has a positive and significant effect on the financial performance of selected MPCs. This implies that cash flow contributes positively to the performance of selected MPCs. This implies that cash flow contributes significantly to the financial performance in terms of return on assets of selected MPCs. Implies that cash flow contributes significantly to the financial performance in terms of return on equity of selected MPCs.

Based on the findings, the study recommends that MPCs in Abuja must ensure that adequate liquidity position is maintained at all times in their operations, with effective working capital management. The government should develop strategies to enhance the performance of MPCs.

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