EFFECT CREDIT MANAGEMENT ON ORGANIZATION PERFROMANCE OF SAVINGS AND CREDIT COOPERATIVE ORGANISATIONS IN NAROK COUNTY KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

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DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution, or university for academic credit

Sign:………………………….. Date:….19-11-2022…………

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This project has been submitted for examination with my approval as the appointed supervisor

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DEDICATION

I would like to dedicate this project to my late dad who encouraged me to always do my best in whatever I put my hands on and offering financial support for my education, including my masters’ studies.

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ABSTRACT

Due to the significant losses that financial institutions are experiencing, credit management has become more significant in recent years. Notably, the decline in loan repayment among members is the primary issue affecting SACCO's credit management. There is a high incidence of credit risk, which is evident in the SACCOs' increasing levels of non-performing loans over the past ten years, which has hurt their profitability. This trend not only jeopardizes the SACCOs' survival and viability, but also makes it more difficult for them to fulfill their original purposes of bridging the financing gap in the mainstream financial sector and extending credit to the rural unbanked population. The objective of the study is to establish the effect of credit management on organization performance of SACCOs in Narok County. The study was anchored on three theories, namely, asymmetric information theory, the modern portfolio theory and the transaction cost theory. For the research, a descriptive cross-sectional design was used. The 16 SACCOs in Narok County made up the study's target population. Purposive sampling was used in this investigation. This is where the researcher selected the appropriate respondents to collect data from. The sample of the study was 32 respondents from the 16 SACCOs targeted. The study employed both descriptive and inferential analyses. While inferential analysis aims to test hypotheses, descriptive analysis's goal is to present insightful summaries of the research variables. The findings indicated that credit policy in the SACCOs is essential since they provide a framework for offering and recovering credit financing. Moreover, due to the high risk associated with lending money to the members, the findings indicated while the SACCOs offer lenient interest rates, stringent policies were found to influence loans recovery. The study found that credit terms as measured by interest rates and period of loan repayment has a positive effect on organization performance. Credit appraisals was measured in terms of client capacity, character and collateral. According to the findings, credit appraisals help the SACCOs in lowering risks. As such, the study established that risk control strategy has been implemented to mitigate such risks. From the study, it was concluded that credit management strategies significantly impacts organization performance of SACCOs in Narok County. the study recommends that the government policy makers should step in and offer subsidies to SACCOs.The study also recommends that the SASRA should readjust their frameworks and policies in consideration to the emerging issues across the world.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Today's environment of strong competition, erratic economic conditions, and expanding levels of consumer and commercial debt can make or break an organization's capacity to successfully monitor and manage its credit (Aduda & Gitonga, 2011). The business of lending is heavily linked with the element of risk, both on the part of the lender and the borrower. The main risk for the lender is that the borrower may default, leading to bad debts, which may lead to huge losses if many customers default on making repayments. Loan defaults affect profitability of financial institutions and in turn also affect their performance (Olweny, 2019). Since the majority of corporate activities rely on credit conditions that have been agreed upon by both parties, credit management is a crucial issue for any corporation. This is because it is difficult for a company to be successful in its commercial endeavors if it does not have an effective system in place for the administration of the many credit components of the company. According to Kipkoech, the usual amount of time spent by a finance manager is consumed around sixty percent by the management of the company's credit affairs (2015). Therefore, ensuring that day-to-day operations have sufficient liquidity to meet their needs is a key component of managing credit in order to guarantee the effective running of companies and to enhance performance.

This study is founded on the asymmetric information theory, modern portfolio theory and the transaction cost theory. The theory of information asymmetry by Stiglitz and Weiss (1981) describes instances where one party has more knowledge than the other but the other parties involved in the same circumstance do not. The theory is pertinent to the study because it contends that if a borrower who belongs to a SACCO could give lenders accurate and thorough information about their financial situation at the time of credit application, SACCOs would be in a better position to make credit decisions that would lower the credit risks associated with such a borrower. The MPT assumes that financial institutions adopt an asset-by-asset approach in the management of their credit risk. Individual financial institutions tend to adopt different methods, but the general assumption is that the process entails credit-quality evaluation, credit risk-rating and aggregation of results to identify the expected losses (Foong, 2010). Transaction cost theory is very important for credit standards since financial organizations require real credit standards in order to assess credit value and possible creditors (Juma, Otuya & Kibati, 2018). As a consequence of this, transaction cost theory is an essential component of credit management. This is due to the fact that it allows organizations to establish credit criteria that have a substantial influence on the financial performance of financial institutions. This is due to the fact that the financial institution has faith that the creditor will fulfill his obligation to pay back the loan, which reduces the likelihood of credit default.

In Kenya, SACCOs, as a subset of larger cooperatives, have extended the financial services available to their members. Key financial services by SACCOs include deposit-taking financial business which is identical to that of commercial banking institutions except that such deposits are obtained from members. Therefore, to remain competitive in the business environment, SACCOs must be careful in their credit management (Sagwa and Kembu, 2016). The supply of credit facilities is each SACCO's primary duty. To ensure fair funding distribution and to entice members to take out loans, the credit management function makes it possible to manage and administer the SACCO's loan portfolio effectively. Reduced potential losses with regard to granted loans is the general goal of credit management. As a result, knowing the function of credit management can help firms reduce risk and enhance overall performance (Kipkoech, 2015).

1.1.1 Credit Management

Credit management, as defined by Asiedu-Mante (2011), entails the establishment of formal and legal systems and policies to ensure that loans are made to reputable borrowers with sufficient credit histories, that funds are dispersed in an appropriate amount, that debts can be repaid, and that borrowers are held accountable for their obligations (Ndab, 2018). Therefore, the idea of credit management used in this research is the implementation of systems that serve as a check from the time of credit issuing until the time of collection. The fundamental goals of credit management are responsible receivables financing and efficient debtor management. Therefore, the goals of credit management may be clearly stated as protecting the portfolio of the businesses' investments in debtors and managing the flow of operating cash. These are the two primary reasons why credit management is so important (Juma, Otuya & Kibati, 2018). Strictly enforcing policies and processes for providing credit facilities to customers, recovering past-due payments, and lowering the high risk component of non-payments is necessary.

In order to reduce the danger of defaulting on a loan, it is necessary to screen and evaluate customers in great detail to verify that they have both the desire and the ability to make timely payments. The 5Cs Model of Credit is used by financial institutions to determine whether or not a customer is a viable borrower (Kipkhijo, 2017). It is possible for financial institutions to adopt this assessment methodology in order to improve loan performance as they get a deeper understanding of their customers. The 5Cs of credit management are condition, character, capacity, and collateral. The condition is the most important. Character is an indication of whether or not the applicant is prepared to repay the loan and has the capacity to run the company successfully. Character refers to the reliability and moral character of the owners. The capacity evaluates whether or not the cash flow of the family or the business can support the obligation of making loan repayments.

A household's or a business's capital consists of both their assets and their liabilities. Collateral may take the form of an asset that the borrower is ready to give up in the event that the loan is not repaid as agreed upon, or it might take the form of a promise by a reputable person to pay back a debt that has been overdue. Conditions may also refer to a business plan that takes into consideration factors such as the competitive landscape, the size of the market for the product or service, as well as the political, social, and economic environment. The 5Cs need to be integrated into the algorithm used to calculate credit scores (Ndab, 2018).

SACCOs improve the economic sustainability of their own businesses and increase the profits they make via effective credit management. In addition to this, they help maintain the economy's overall systemic stability and facilitate the effective deployment of resources (Kipkoech, 2015). Effective credit management results in the release of cash for other purposes since unnecessary working capital investments lower profitability (Juma, Otuya & Kibati, 2018). On the other hand, if not enough money is provided for working capital, this might result in financial limitations and a liquidity crisis for the company, since it would then be unable to pay its short-term loans. This would put a burden on the company's finances (Viskari et al., 2011). For managing credit and reaching specific business profit objectives, a finance manager's all-consuming task is to maximize value through a risk-return trade-off.

1.1.2 Organization Performance

Organizational performance refers to a company's actual production or results as contrasted to its defined objectives (Ngatia, Muya, & Ngacho, 2018). Muchoki (2019) defines performance as having three components: success on the market for the goods, financial performance, and return on investment for shareholders. In a competitive climate, businesses strive to outsmart, outmaneuver, and outperform their competitors (Lefort, McMurray & Tesvic, 2015). The organizational performance demonstrates how a company's resources are used to fulfill its corporate goals. Organizational performance keeps the company afloat while also providing a better perspective for future chances (Kung'a, 2021). Efficiency, effectiveness, relevance, and financial viability are all aspects of an organization's performance. The specific actions that a firm must adopt to achieve its objective are brought about by the effectiveness of a firm. Efficiency refers to the cost per unit of output, which is typically significantly lower than the cost of input, assuring that there is no way of reducing the input for the same output (Machuki & Aosa, 2011).

Organizations are distinguished by their performance. Better-performing firms become the elite of their sectors, and employees will compete to work for them. Muchoki (2019) defines performance as an organization's ability to maximize strengths and overcome deficiencies to neutralize threats and seize opportunities. Academic scholars and working managers are both fascinated by the concept of organizational performance. It is the most desired goal and a common denominator throughout all enterprises (Ongeti, 2014). In the context of this research, the performance of organizations will be evaluated using both financial and non-financial metrics. Return on investment and return on asset are going to be the financial measurements that are used. While non-financial indicators would include things like how efficiently services are produced and how relevant the services that are provided are to customers' needs.

1.1.3 Savings and Credit Cooperative Organisations in Narok County

SACCOs are self-governing groups of people who come together voluntarily to solve their common social and economic needs by joint ownership and democratically run businesses formed and operated according to cooperative principles (Lydia, 2018). SACCOs have the potential and chance to contact customers in regions where banks are not interested, such as rural or impoverished communities (Clement & Martin, 2012). As a result, SACCOs have become increasingly appealing to customers, firmly entrenching themselves in many countries' financial sectors. The goal of SACCOs according to Ounza (2015), is to empower members through savings mobilization, credit disbursement, and long-term sustainability through smart financial management. According to the report that was put up by the SACCO's supervisors in 2011, the amount of money that was loaned out to members accounted for three-quarters of the organization's total assets. Access to low-interest loans and other forms of financing made available by SACCOs has been a major factor in the rise of young business owners in Kenya (Ounza, 2015). There are a lot of young people who have fantastic ideas, but they don't have the financial wherewithal to make them a reality. SACCOs provide customized services to help micro and small businesses flourish (Tambasi, 2019).

In Narok County, there are sixteen SACCOs, namely Mwalimu National SACCO, Puan SACCO, Imarisha SACCO , Ollin SACCO, Cosmopolitan SACCO, Hazina SACCO ,Afya SACCO, Harambe SACCO, Maasai Mara University SACCO, Stima SACCO, Narok Golden Chance SACCO, Narok Eagles SACCO, Good Hopes SACCO, M-Pesa Puan SACCO, Narok Fleet SACCO, and Nasaruni Sacco. These SACCOs all aim at improving the life of it members by offering fast and reliable credit services. Therefore, credit management is core in their day-to-day operations, hence the motivation for this study.

1.2 Research Problem

Due to the significant losses that financial institutions are experiencing, credit management has become more significant in recent years (Nikolaidou & Vogizas, 2014). Since these organizations generate revenue through interest on loans made to their members, the effectiveness of their credit management systems has a significant impact on SACCO performance (Juma, Otuya & Kibati, 2018). As a result, a decline in loan repayments not only endangers their performance and profitability but also prevents them from accomplishing their goals and remaining sustainable. Undoubtedly, loans make up a significant amount of credit because they typically represent 10 to 15 times a lending institution's equity (Ndichu, 2021). Notably, the decline in loan repayment among members is the primary issue affecting SACCO's credit management. According to the Central Bank Annual Supervision Report (2010), there is a high incidence of credit risk, which is evident in the SACCOs' increasing levels of non-performing loans over the past ten years, which has hurt their profitability. This trend not only jeopardizes the SACCOs' survival and viability, but also makes it more difficult for them to fulfill their original purposes of bridging the financing gap in the mainstream financial sector and extending credit to the rural unbanked population (Kipkoech, 21015).

Various writers have made an effort to demonstrate the link between credit management and performance. The link between credit management and performance was examined by Alshatti (2015) in the context of commercial banks in Jordan. The empirical results demonstrated that credit management had a favorable effect on non-performing loans and a detrimental effect on the leverage ratio. On the ROE, ROA, credit interest ratio, and capital adequacy ratio, however, it had little effect. The study was based in Jordan presenting a research gap for a study in Africa, specifically Kenya. Moreover, the study was empirical in nature, no primary data was collected from the field, thus leaving room for biased findings. This study will filkl this gap by gathering primary and secondary data. Using a panel regression model, Abiola and Olausi (2014) conducted research on this link between credit management and performance in the setting of Nigerian banks between 2005 and 2011. Their research revealed that the period's success was significantly impacted by the management of credit risk. The study was time-limited because it only used empirical data from 2005 to 2011. Questionnaires will be used to collect main data for the present data.

Ndichu (2021) evaluated the impact of credit management on self-help organizations' loan performance. The results showed that credit conditions had a favorable and considerable impact on SHGs' ability to repay loans in Kenya. The study had a research gap since it only looked at loan performance, but the current study looks at organization performance as a whole. Moreover, the focus of the study was on self-help organizations while this study focusses on SACCOs. In Uasin Gishu County, Kipkoech (2015) examined the impact credit management has on SACCO profitability. The results showed that increasing corporate profitability is largely dependent on credit risk assessment, credit granting decisions, credit debt collection, and credit policy. While the present research will be conducted in Narok County, the previous study, which focused on SACCOs, was based in Uasin Gishu. Moreover, the study by Kipkoech (2015) assessed profitability as the dependent variable, for this study, both financial and non-financial measures of performance will be assessed.

For financial institutions (FIs) to survive and expand, credit management must be handled properly. Due to the increased levels of perceived risks associated with some of their client characteristics, company circumstances, and economic climate, SACCOs are particularly concerned about the issue of credit management. This study aims to provide an answer to the research question: What impact does credit management have on the organizational performance of SACCOs in Narok County? Little research has been done on the effectiveness of SACCOs' credit management, which may help to resolve problems and increase the SACCOs' market share and revenue production.

1.3 Research Objective

The objective of the study is to establish the effect of credit management on organization performance of SACCOs in Narok County.

1.4 Value of the Study

This research will aid finance managers in SACCOs in making decisions that will help in the management of credit more effectively. SACCO managers in charge of credit control will benefit from this information when developing rules and dealing with clients. It will also help sales managers comprehend the dynamics of credit sales and their ramifications. The sales managers in these SACCOs can use the study to develop better credit portfolios that will maintain the liquidity of the institution hence improving performance.

This report can be used by regulatory authorities such as the SACCO Societies Regulatory Authority (SASRA) to strengthen the framework for regulating the credit services offered by SACCOs. The findings of this study will also help policymakers and regulators, develop new policies and regulations related to credit management in the financial sector.

Credit management is a broad academic topic that has received a lot of attention. However, there is no empirical proof that it has been thoroughly examined or that all relevant possibilities have been explored and evaluated. As a result, further evidence-based material will be a welcome addition to the existing body of knowledge. This study can be used by other scholars as a foundation to conduct further research into the field of credit management.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers a review of extant literature on the relationship between credit management and organization performance. The chapter begins by providing a theoretical framework on which the study is anchored. An empirical review of literature is also covered in the section. The research gaps of each of the reviewed studies are also identified. The chapter concludes by offering a conceptual framework that demonstrates the connections between the variables under investigation.

2.2 Theoretical Framework

The study was anchored on three theories, namely, asymmetric information theory, the modern portfolio theory and the transaction cost theory.

2.2.1 Asymmetric Information Theory

The theory of information asymmetry was developed by Stiglitz and Weiss (1981). According to asymmetric information theory, it is challenging to distinguish between good and bad borrowers. Asymmetric information describes instances where one party has more knowledge than the other but the other parties involved in the same circumstance do not. Asymmetry in information occurs when the borrower has substantially more knowledge about his financial situation than the lender. It could be challenging to distinguish between bad and excellent borrowers, according to Kipyego and Wandera (2013). Because of this, it is challenging for the lender to predict with any degree of certainty whether the borrower will fail, resulting in non-performing loans. The lender may attempt to solve this issue by screening the borrower and reviewing historical data such past credit history and proof of income or cash flow. However, this just provides the lender with a little amount of information (Kassim, 2012).

Caplan (2004), an economist, challenged the asymmetric information hypothesis. The author contended that in actual markets, not everyone is actually in the dark. For instance, financial organizations actively look for underwriting services. Given the availability of information from third parties like Consumer Reports and the credit agencies, Caplan (2004) further contends that models built on the ignorance of one party are incorrect. Despite this drawback, the theory is effective in outlining how financial organizations give credit to borrowers in order to reduce credit risk.

The theory is pertinent to the study because it contends that if a borrower who belongs to a SACCO could give lenders accurate and thorough information about their financial situation at the time of credit application, SACCOs would be in a better position to make credit decisions that would lower the credit risks associated with such a borrower. SACCOs perform well when credit risk is decreased since it lowers the amount of non-performing loans (Ahmad, & Bashir, 2013). Hence this theory is significant in this study since it infers that credit management practices such as credit risk control can be attained by acquiring adequate data of the borrowers before issuing any credit.

2.2.2 Modern Portfolio Theory (MPT)

Markowitz (1991) developed the modern portfolio theory. According to the idea, a loan portfolio may be utilized to optimize profits and lower the risk of loan default by carefully mixing various types of loans. The theory posits that the loans in each portfolio should be chosen taking into account how they would affect the returns of the other portfolios. According to Markowitz (1991), investors are risk averse. The theory outlines how a person or organization can maximize returns by diversifying the loans in each lending portfolio. This satisfies the various credit requirements of borrowers and lowers the chance of loan default in difficult economic circumstances (Nocco & Stulz, 2006).

Njanike (2009) contends that since risk and return are correlated, an investor must tolerate higher risk to obtain higher profits. The fundamental tenet is that an organization's performance is closely related to its economic environment and asset mix. This is demonstrated in practice by finance institutions since member incomes and earnings have an impact on demand for and default on various loans, adding costs to the income statement in the event of default (Ahmad, 2020). Therefore, management of finance institutions should develop several loan types that benefit from the various borrower conditions and operational surroundings. According to the findings by Mwangi (2021), raising the loan ceiling has a detrimental effect on financial performance. When different loan types are supported by sound lending policies, finance institutions' cash flow is improved. Also, borrowers who pay their loans on time reduce the risk of loan default, asset auctions, and guarantors not getting loans (Mutua, 2014).

The theory has been criticized a lot because MPT tries to define risk in terms of the likelihood of losses without explaining why losses can happen. This forces investors to estimate risk based on market data from the past. So, instead of being based on structure, the risk evaluation is based on odds (Mwangi, 2021).

This concept is significant to the ongoing research since SACCOs have used it in order to diversify their loan portfolios and reduce the possibility of unsystematic credit risk. Since shocks may occur at any moment and do not provide SACCOs the opportunity to prepare for them, it is impossible to ignore the prospect of a rapid fall in the loan portfolio in a particular sector or area. As a result, SACCOs make it a priority to eliminate any unnecessary levels of portfolio concentration among its participants.

2.2.3 Transaction Cost Theory

Schwartz (1974) was the one who initially created the transaction costtheory. According to the theory, the best organizational structure is one that may maximize economic efficiency while lowering overall exchange costs. Because of this, the author continues by proposing that any sort of transaction carried out within an organization result in the coordination of three key expenses in terms of their total monitoring, controlling, and management of such costs (Akbar & Tracogna, 2018). Transaction costs are viewed in this context as the total expenses typically incurred by firms in maintaining their economic systems. Organizational management responsible for making crucial choices may choose whether to use company structures or other forms of external finance by first comparing transaction costs with all other internal production costs, as suggested by the theory. As a result, it is crucial to consider transaction cost while making sound financial choices (Akbar and Tracogna, 2018).

Since decisions must be made based on vertical boundaries within an organization, transaction cost theory is therefore viewed as an important theoretical viewpoint. Ketokivi and Mahoney (2016) state that a transaction is deemed to have occurred when products or services are physically or technologically moved from the supplier to the intended client. As a result, whenever one transaction completes, the subsequent series of transactions starts right away.

Transaction cost economics (TCE) has been criticized by Ghoshal, and Moran (1996) for presenting an undersocialized view of human nature, for confusing cause and effect, and for being ad hoc. Organizations are not mere substitutes for structuring efficient transactions when markets fail; they possess unique advantages for governing certain kinds of economic activities through a logic that is very different from that of a market. TCE is "bad for practice" because it fails to recognize this difference (Ghoshal, & Moran, 1996). Despite this limitation, the theory is important for this study since it contends that suppliers typically hold a competitive advantage over their clients since they can gather enough data on their clients' creditworthiness (Ketokivi & Mahoney, 2016).

This theory is important to this study since SACCOs are able to monitor and ensure that their clients fully repay their debts even as they expand lending facilities to them. When opposed to traditional lenders, financial institutions benefit financially from this advantage that allows them to gather crucial information about their consumers. Sociologists, however, have criticized this theory, contending that much of the theory's research has been done by academics who support the method, ignoring the significance of varied talents in the overall structure of economic organizations. This theory is pertinent to the current study, though, as it enables SACCOs to assess clients' capacity to repay loans in full before providing them with credit.

2.3 Credit Management and Organization Performance

2.3.1 Credit Policy and Organization Performance

A credit management policy is used as a guide to establish the terms and conditions for the sale of products and services on a credit basis, the customer qualifying standards, the collection process, and the actions to be done in the event of customer delinquency (Akinleye and Olarewanju (2019). Onuora and Ifeacho (2017) adds that there may be liquidity issues that could have a negative impact on the expansion and survival of businesses if there isn't an effective policy to control sales made to clients on credit. Given that modern commercial transactions are based on mutually agreed-upon credit terms between sellers and purchasers, credit management is a crucial component of every corporate organization (Otuya & Akporien, 2017). The fact is that a company's ability to operate efficiently and effectively will be hampered without good management of its credit components. Therefore, it was confirmed by Onuora and Ifeacho (2017) that handling the company's credit affairs and allocations takes up around 60% of a normal finance manager's work. As a result, effective resource allocation tends to positively influence company profitability, leading to increased growth.

The impact of credit management on the profitability growth of manufacturing enterprises in Nigeria from 2007 to 2016 is examined by Akinleye and Olarewanju (2019). The panel data regression method was employed. According to the study, the growth of manufacturing enterprises was positively correlated with the cash conversion cycle and collecting period and negatively correlated with the payment periods. According to the study's findings, manufacturing companies in Nigeria's growth and sustainability were hindered by their non-compliance with credit management; on the other hand, the cash conversion cycle had a significant impact and accelerated this growth.

Onuora and Ifeacho (2017) investigated the impact of credit management on the profitability of manufacturing enterprises using data from five companies listed on the Nigerian stock exchange. The goal of the study was to ascertain if the three components of credit management—credit policy, liquidity management, and debtors' turnover—have an impact on the manufacturing firm's profitability as assessed by return on assets (ROA). Data was taken from selected firms' annual reports. The outcome shows that debtor turnover has a large positive impact on Return on Assets whereas credit policy and liquidity management have a significant negative link to Return on Assets.

2.3.2 Credit Terms and Organization Performance

Credit terms are benchmarks or negotiated conditions (provided by a seller to a buyer) that regulate the monthly and aggregate credit amount, the maximum payback period, the cash discount or early payment discount, and the amount or rate of late payment penalty (Chick, 2018). When the terms are advantageous, this aids businesses in luring additional clients (Van Horne, 1995; 1988). Credit terms have an impact on the financial decisions made by businesses when the financial services sector is taken into account.

To ascertain the impact of credit management methods (client appraisal, credit risk, collection policy, and credit conditions) on the financial performance of MFIs in Nairobi's Central Business District, Edwin and Omwaga (2018) conducted a study. The study used a descriptive survey approach, with 165 employees from the MFIs under investigation as the target population. Utilizing questionnaires, primary data was gathered. 165 respondents were chosen through purposeful sampling. 158 of the 165 sent-out questionnaires were completed and returned. Data were analyzed using multiple regression analysis and descriptive analysis. According to the study, credit risk management, client evaluation, collection practices, and credit terms all had a statistically significant impact on the financial performance of the MFIs under investigation. The study also showed a positive correlation between credit risk management, client evaluation, collection policy, and credit terms and financial performance.

2.3.3 Credit Appraisal and Organization Performance

The practice of evaluating a borrower's credit worthiness is known as credit appraisal. The ability of the borrower to repay debt, the borrower's character assessment, the characteristics of the collateral, the CRB credit score, and the utilization of the funds were used in this study as proxy measures for credit evaluation. This entails assessing the borrowers' ability to repay their debts (Makori & Sile, 2012). The main goal is to make sure that only creditworthy customers are given loans. The client appraisal procedure entails assessing the borrower's capacity and any associated unique risks.

Using MFIs in the Fort Portal municipality in Western Uganda as a case study, Aliija and Muhangi (2017) looked into the management of the loan assessment process and the profitability of MFIs in Uganda. The study used a descriptive research approach and discovered that client evaluation affected MFI loan performance. However, the study was carried out at MFIs in Uganda, which have different rules than Kenya's commercial banks. The current study concentrated on how client evaluation affected Kenyan commercial banks' lending performance.

Makori and Sile (2017) investigated credit appraisal processes and their effects on deposit-taking SACCOs in the Nairobi county government. The researcher conducted her study in a descriptive manner. It was discovered that customer reviews positively affect profitability. In order to ensure greater profitability, the study advised SACCO management to establish efficient credit appraisal procedures. However, because only SACCOs and not commercial banks were studied, the findings cannot be applied generally. The current study concentrated on Kenyan banks and the performance of loans.

2.3.4 Credit Risk Control and Organization Performance

Credit risk is the likelihood that a client of a commercial loan will not fulfill the conditions outlined in the loan contract. When a lender (in this case, the bank) is more exposed because a counterparty or borrower does not rigorously fulfill their loan repayment obligations, credit risk exists (Warsame, 2016). If the borrower breaches a contract and the failure has a negative effect on the bank's financial performance, credit risk results in financial failure (Bhattarai, 2016). A key cause of bank loss is credit or default risk, particularly when customers don't fulfill their responsibilities to pay back loans or other debts (Alshatti, 2015). Inadequate institutional competence, inadequate credit strategies, ineffective management, low capital adequacy ratios and liquidity, as well as subpar credit supervision by the central bank, can all worsen a banking organization's credit risk situation.

Bhattarai (2016) looked at how credit risk affected the operation of Naples' commercial banks. A descriptive and causal comparative study design was employed. The information was gathered from 14 banks during the years 2010 to 2015. The study found that while the cost of a loan asset had a beneficial impact on the banks' overall performance, the NPL loan percentage had a negative impact on that performance. It was discovered that indicators of credit risk and bank size had a favorable effect on the performance of the banks. Alshatti (2015) examined the financial performance of Jordanian commercial banks in relation to the impact of credit risk management. The study sampled thirteen banks from 2005 to 2013, and it was found that managing credit risk had an impact on the financial performance of the banks. According to the findings of this study, managing credit risk indicators has a major impact on banks' financial performance.

2.4 Empirical Review

Effiong and Ejabu (2020) conducted study in which they analyzed the impact that limiting liquidity risk has on the financial performance of companies that manufacture consumer items. In order to enhance their overall financial performance, companies that manufacture consumer goods were polled on the degree to which they were worried about effectively managing their liquid cash, cash defense intervals, long-term loans, and fast ratios. The annual reports and accounts of the companies under investigation were combed through for data, which was then interpreted as characteristics of liquidity assessment. The research was conducted using multiple regression analysis, and the findings indicate that long-term debts, quick ratios, and cash defensive intervals have a significant impact on earnings per share (EPS) and return on assets (ROA), while cash ratio and long-term debts only have a minimal impact on return on capital employed (ROCE). The financial success of consumer goods companies and liquidity risk management have a significant relationship, according to the empirical research. Further, the findings indicated that organizations' lack of concern for managing liquidity risk has a major impact on their financial success. The study evaluated one aspect of performance, financial performance. This study goes further into assessing both the financial and non-financial performance of SACCOs.

The authors Okpala, Osanebi, and Irinyemi (2019) analyzed the effect of credit management strategies on the liquidity and profitability of Nigerian companies producing chemicals and paint that were publicly traded on the stock market. Descriptive survey research was employed for the analysis. About 500 workers made up the population from which the sample was drawn. Descriptive data were gathered using a one-way ANOVA, and hypotheses were evaluated using a straightforward linear regression analysis method. Findings showed that credit risk evaluation, as measured by debt recovery method and receivable collection policy, had a positive and statistically significant influence on liquidity. The study focused on liquidity, which is a financial metric of performance. Furthermore, the study was restricted to industrial enterprises. Furthermore, the study was restricted to industrial firms. This research will fill a contextual vacuum by concentrating on the organizational performance of financial institutions, namely SACCOs in Narok County.

Five publicly traded companies in Nigeria were analyzed by Onuora and Ifeacho (2017) to determine how credit management affects manufacturing industry profits. The purpose of this research was to ascertain whether or not credit policy, liquidity management, and debtors' turnover had any impact on the return on assets of a manufacturing firm (ROA). In certain cases, information was culled from firms' annual reports. The conclusion demonstrates that debtor turnover positively affects ROA whereas credit policy and liquidity management significantly negatively affect ROA. The current study will mirror the research to either confirm or dispute the relationship between credit policy and ROA. This is because, the present study will measure credit management using credit policy.

In Kenya, Mureithi (2016) investigated how credit management affected the financial performance of commercial banks. This study used descriptive research methods. Data were gathered utilizing questionnaires from 45 commercial banks as part of a census research. The study found that credit management strategies significantly impacted how well commercial banks performed. The study concluded that in order for CBK to increase their financial performance, they should strengthen their client appraisal processes. The study gathered data from commercial banks, this study will fill the contextual gap by targeting SACCOs in Narok County. This is because, SACCOs are susceptible to non-performing loans and therefore, credit management is essential for improved performance by these financial institutions.

Alshatti (2015) investigated the influence that credit risk management had on the financial performance of Jordanian commercial banks between the years of 2005 and 2013. The authors used the capital adequacy ratio, the credit interest/credit facilities ratio, the provision for facilities loss/net facilities ratio, the leverage ratio, and the non-performing loans/gross loans ratio as the independent variables in their study. Both ROA and ROE were included into the equation for determining the profitability of the business. According to the findings and conclusions of the author of the research, the credit risk management indicators all had a significant impact on the financial performance of Jordanian commercial banks. The investigation was restricted by the years 2005 through 2013. More than eight years have passed since the research was completed. The purpose of this research is to gather up-to-date data in order to provide information that is current on the connection between credit management and SACCO organizational performance.

In order for deposit-taking SACCOs in the Mount Kenya Region to have enough cash on hand to satisfy the loan commitments of new members, it is the duty of members to repay loans, according to a research by Mugambi et al. (2015). They found that the various SACCOs were exposed to significant credit risks, which necessitated the modification of the lending policy in order to lower the risk of liquidity and enhance the SACCOs' overall financial performance. The poor performance of Kenyan SACCO societies in terms of loan lending may mostly be attributed to a lack of credit analysis, a lack of credit follow-ups, and hostile lending practices. An important component of credit management that was examined in the study was credit policy. Credit policy, credit terms, credit assessments, and credit risk control are the four areas of credit management that are evaluated in this study. An in-depth comprehension of credit management will be given as a result.

Kodithuwakku (2015) investigated how credit risk management impacted Sri Lanka's commercial banks' performance using both primary and secondary data. Non-performing loans relative to total loans (NPL/TL), loan provision relative to non-performing loans (LP/NPL), loan provision relative to total assets (LP/TA), and loan provision relative to total loans (LP/TL) were all used as metrics for determining the level of credit risk. Return on assets is one of the performance metrics that may be employed (ROA). The findings demonstrate that non-performing loans and allowances have a negative effect on a company's capacity to turn a profit. Given that Sri Lanka is a developing nation, the Kodithuwakku (2015) research will be applied to a comparable situation in Kenya to see whether non-performing loans there have a detrimental effect on ROA inside SACCOs.

Abiola and Olausi (2014) investigated the methods that Nigerian commercial banks use to control their credit risks. A review covering a span of seven years was conducted on financial data obtained from seven different commercial banking institutions (2005–2011). In order to estimate the model, a technique known as panel regression was used. As performance indicators, the model used return on equity (ROE) and return on assets (ROA), and as credit risk management indicators, it utilized non-performing loans (NPL) and capital adequacy ratio (CAR). According to the arguments made in the paper, credit risk management has a significant influence on the profitability of commercial banks in Nigeria. The findings concurred with those of Kodithuwakku (2015). However, the data used for the study was collected over a decade ago. With reference to the changes that have occurred in the financial sector due to globalization, this study seeks to use recent data in assessing the effect credit management has on organization performance.

A study by Kungu et al. (2014) examined how Kenyan manufacturing firms' profitability was impacted by credit policy. The study examined the components of the credit policy, including the credit terms, collection strategies, credit period, and credit standards. Data from the field were gathered using a descriptive study approach, and an 81 manufacturing company sample was created using a stratified random sampling technique. Only 71 questionnaires, however, were returned. The questionnaire was sent to the chief financial officers of the manufacturing companies. Both descriptive and inferential studies were conducted. The hypothesis was tested using regression analysis and analysis of variance (ANOVA). The findings demonstrate a favorable correlation between profitability and loan policy in Kenyan manufacturing enterprises. Only 9.2 percent of the profitability of manufacturing enterprises may be attributed to credit policy. Other factors account for 90.8 percent of the difference in profitability. The study's conclusions showed that the profitability of manufacturing companies is influenced by how loan policy is created. The study recommended that finance managers of manufacturing companies should constantly assess their companies' credit policies to ensure that they are perfect and lead to enhanced profitability. The focus of the study was on manufacturing companies; this study targets SACCOs, which are financial companies that offer credit services in the form of loans.

Ghimire and Abo (2013) did research on the performance and credit systems of Ivorian airlines. The method used in the study comprised cross-tabulations, dependency tests using Chi-square and Cramer's value, descriptive statistics, and cross-tabulations. Furthermore, the study demonstrated the relationships between the investigated variables. Standardized questionnaires were sent to participants at four airline firms as part of the study. The research involved fifty managers in all. Out of 50 questionnaires, only 36 were returned. According to the calculated percentage, companies who had credit practices that were either lax or rigorous reached their sales goals at a rate of 92.3 and 83.3 percent, respectively. The findings demonstrated that automated systems or credit control procedures do in fact affect how effectively airline firms function. The latest study targets SACCOs in Kenya in order to fill a vacuum created by the first study, which focused on the selling of airline tickets.

2.5 Summary of Literature Review

The reviewed literature show that the concepts of credit management and organization performance have been assessed by different scholars. This is attributed to the fact that most businesses offer credit services. In particular, with reference to the current study, SACCOs are known for offering loans, a credit product. Therefore, as indicated from empirical review, credit management ‘becomes essential in the success of a company.

According to extant literature, credit management practices have a positive relationship with organization performance. Specifically, credit policy, credit terms, credit appraisals and credit risk control were found to positively influence organization performance of organizations and in particular financial institutions.

2.6 Research Gaps

Despite the acknowledgement that credit management practices positively influence organization performance from extant literature, majority of the studies reviewed were based in international countries such as Okpala, Osanebi, and Irinyemi (2019) in Nigeria; Alshatti (2015) in Jordan; Kodithuwakku (2015) in Sri Lanka and Ghimire and Abo (2013) in Ivory Coast. Additionally, from the reviewed literature, majority of the studies only assessed financial performance. While credit management largely affects financial performance, it also has an impact on the non-financial performance of a company. In the context of this research, the non-financial performance of SACCOs will be evaluated based on the degree to which their service production is effective and the degree to which the services they provide are relevant. Further, this study will focus on SACCOs, a gap that was identified in the reviewed literature. Scanty research has been conducted focusing on SACCOs despite the fact that these financial institutions are susceptible to credit risk. This is attributed to the fact that SACCOs offer loans, a credit service. Therefore, credit management is potent to SACCOs to ensure their sustainability and improved performance.

2.7 Conceptual Framework

A conceptual framework is often shown as a diagram that shows the correlation of the factors that are being investigated. The independent factors in this research are credit management, which is assessed by credit policy, credit terms, credit assessments, and credit risk control. Credit policy in this study is described as the guide to establish the terms and conditions for the sale of products and services on a credit basis. Credit policy will be measured using credit standards, loan review and collection efforts. Credit terms are benchmarks or negotiated conditions (provided by a seller to a buyer) that regulate the monthly and aggregate credit transactions. For this study credit terms will be measured using credit period, interest rate and fees, repayment schedule and penalties information. Credit appraisal is the practice of evaluating a borrower's credit worthiness. Credit appraisal will be measured using defined purpose for the credit, repayment capacity of borrower, collateral, ability of the client to generate cash. Credit risk control is process of ensuring that a client fulfills the conditions and terms set for repaying a specific loan. For this study, credit risk control will be measured using risk based pricing, credit insurance and credit diversification. The dependent variables in this study are organization performance. The role of government policies as a moderating variable in the study was explored.

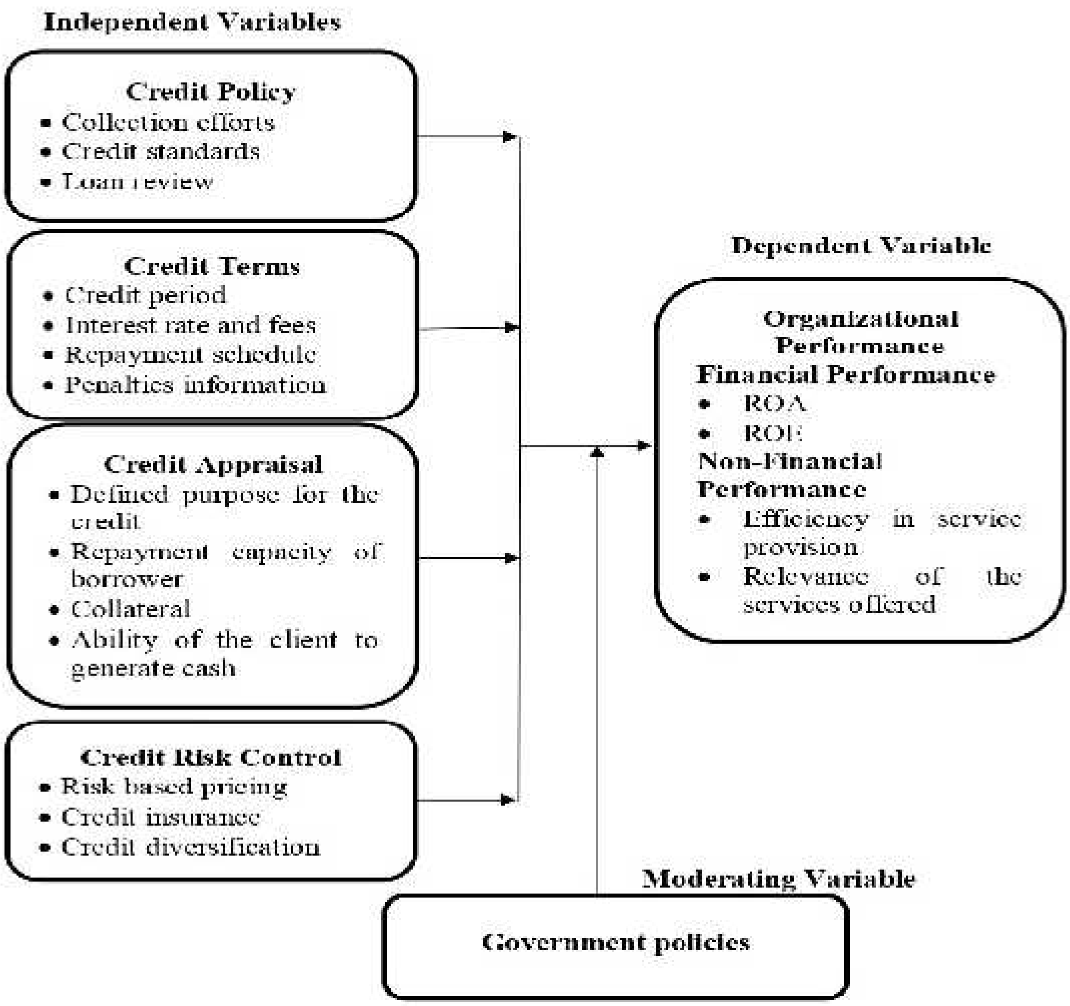

Figure 2.1: Conceptual Framework

Source: Empirical Review

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents in-depth information about the individual components that make up the research methodology. Topics covered here include the study design, methods of data collecting, and procedures for analyzing collected data.

3.2 Research Design

The research design is the overarching strategy that was developed to solve the research question (Saunders, Lewis & Thornhill, 2009). For the research, a descriptive cross-sectional design was used. The design is essential in providing a description of the research's variables, credit management and organizational performance. Since data was collected from a sample and used to characterize the study phenomena, the design was appropriate for this study. Additionally, the design made drawing conclusions easier. The descriptive cross-sectional design is fit for this study since it ensured that the study variables (credit policy, credit terms, credit appraisal and credit risk control and organization performance) were assessed at a specific point in time.

3.3 Target Population

The number of respondents from which a researcher hopes to get data is known as the target population (Asiamah, Mensah, & Oteng-Abayie, 2017). The 16 SACCOs in Narok County made up the study's target population. The study sought to understand the credit management practices adopted by the SACCOs, in Narok County. Therefore, the 16 SACCOs in the region were adequate to gather necessary information on the credit management practices adopted by the SACCOs and their effect on performance.

3.4 Sampling Technique

The number of respondents that are actually chosen by the researcher from the target population is known as the sample size. Purposive sampling was used in this investigation. This is where the researcher selected the appropriate respondents to collect data from. The sample of the study was 32 respondents from the 16 SACCOs targeted.

The two employees will include the credit manager and the general manager of each of the SACCOs.

3.5 Data Collection Instruments

For the purpose of the research, both primary and secondary data was collected. In order to collect primary data, a questionnaire was used. The main data was collected via the use of a questionnaire formatted in a certain way from the employees of the sixteen SACCOs. The research participants' demographic information was gathered in the first portion of the questionnaire, and data on the study variables was gathered in the second section of the questionnaire. The questionnaire was divided into two sections. The goals of the research was to serve as the basis for the development of the structured questionnaire.

The research instruments were distributed by the researcher with the help of two trained assistants. Two assistants were trained on the approach to use in distributing the research questions. This was necessary to speed up the data collection process. The questionnaires were distributed to the sixteen SACCOs using the pick-and-drop approach by the researcher and the trained assistants. Prior to the research instruments being collected, each respondent was given a week to complete the questionnaire. The researcher emailed the participants to remind them to complete the questions. This increased the respondents' response rate. To provide a comprehensive grasp of the topic area, this study also gathered secondary data. Among other literary sources, secondary data was gathered from published financial reports.

3.5.1 Reliability of the Research Instruments

According to Ursachi, Horodnic, and Zait, reliability assesses the internal consistency of study items (2015). For the purpose of evaluating the internal consistency of the research items, Cronbach's alpha was used in the study. The alpha value ranges between 0 and 1. Strong dependability is indicated by a number closer to 1. The dependability of the research instrument was examined in the pilot study. According to Ursachi, Horodnic, and Zait (2015), a Cronbach's alpha of more than 0.7 denotes a high level of dependability. Therefore, 0.7 served as the cutoff value for the dependability metric.

3.5.2 Validity of the Research Instruments

Validity is the extent to which developed research instruments can accurately measure the study variables (Taherdoost, 2016). Content and face validity was adopted for the current study. The content validity was tested using the pilot study. This is because, content validity focusses on ensuring that all the study variables and indicators are covered exhaustively in the research instruments. To measure face validity, the researcher worked closely with the academic supervisors to guide on the approaches to use in developing the research instruments. The opinions and suggestions brought forth by the academic supervisors were adhered to in the development of the research instruments.

3.6 Data Analysis

Editing of the survey data will be the first step in the data analysis process. The completed questionnaire tools were carefully examined in this step to spot any information gaps and incompleteness, and every attempt was made to reduce errors as much as possible. This guaranteed that the information gathered was accurate, thorough, and free from discrepancies. After the data was edited, the computer program SPSS version 25.0 was used to code and record the answers to the closed-ended questions.

The study employed both descriptive and inferential analyses. While inferential analysis aims to test hypotheses, descriptive analysis's goal is to present insightful summaries of the research variables. The dispersion and central tendency of are displayed in descriptive statistics. To assess the link between credit management and organization performance, a simple linear regression analysis was used.

$y = \beta_0 + \beta_1X_1 + + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + ẹ$

Y= Organization performance (Financial indicators – ROA and ROE: Non-financial indicators – Relevance and Efficiency of service provision)

X_1= Credit Policy

X_2= Credit Terms

X_3= Credit Appraisal

X_4= Credit Risk Control

β_1- β_4= Regression Coefficient

3.7 Tests of Significance

Parametric tests determined the general model and variable's significance. The F-test determined the model's relevance, and this was achieved using ANOVA while a t-test determined the relevance of every variable.

3.8 Operationalization Table of Variables

The variables and their quantifiable indicators, as well as the data collecting and analysis tools, have been operationalized for this study, as indicated in Table 3.1 below.;

Table 3.1: Operationalization Table of Variables

Type of Variable	Variables	Indicators	Measurement Scale	Statistical Analysis
Independent Variables	Credit policy	• Credit standards • Loan review • Collection efforts	Ordinal Nominal	Descriptive analysis Regression analysis
	Credit terms	• Credit period • Interest rate and fees • Repayment schedule and penalties information	Ordinal Nominal	Descriptive analysis Regression analysis
	Credit appraisals	• Defined purpose for the credit • Repayment capacity of borrower • Collateral • Ability of the client to generate cash	Ordinal Nominal	Descriptive analysis Regression analysis
	Credit Risk Control	• Risk based pricing • Credit insurance • Credit diversification	Ordinal Nominal	Descriptive analysis Regression analysis

Dependent Variable	Organization Performance	Financial Performance • ROA • ROE Non-financial Performance • Efficiency in service provision • Relevance of the services offered	Ordinal Nominal	Descriptive analysis Regression analysis

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter covers the data analysis and presentation of the findings. The data collected was quantitative since it was gathered using a questionnaire. Moreover, the quantitative data facilitated easier analysis. The chapter begins by presenting the demographic information of the sampled respondents. In this chapter, the findings are presented based on the study objectives. A discussion of the findings is also provided based on the study objectives.

4.2 Response Rate

The study aimed to collect data from 32 respondents, however, 6 were not available, hence data was collected from 26 respondents, representing an overall response rate of 81.25% This response rate was satisfactory to make conclusions for the study as it acted as a representative. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting, a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was excellent.

Table 4.1: Response Rate

Sample Size	Response	Percentage
32	26	81.25

Source: Field data, (2022)

4.3 Demographic Information

The study sought to establish the demographic information of the SACCOs under investigation. Data on the year of establishment of the SACCOs was recorded. Further, the researcher gathered data on the number of members in the SACCO.

4.3.1 Year of SACCO Establishment

The respondents were asked to indicate the year the SACCOs they work for were established. According to the data collected, the oldest SACCO was the Harambe

SACCO which was established in 16 while the youngest SACCO was Narok Eagles SACCO which was established in 2017. From the findings, it was revealed that all of the SACCOs have been in operation for over five years. This is an implication that the SACCOs have attained the five-year mark which is not attained by 50% by small and medium enterprises (Otar, 2018). Knowing the age of the SACCOs was important since it created a basis of analysis in understanding the credit management strategies employed in ensuring the continued sustainability of these SACCOs. According to the findings, some of the SACCOs were established over four decades ago, this implies that these institutions understand the industry and their customers to remain afloat in the competitive financial sector.

4.3.2 Members of the SACCO

The research sought to determine the number of members in the SACCOs investigated. The findings were based on the Narok branches. The findings are presented on Table 4.2 below

Table 4.2: Members of the SACCOs

Number of Members	Response	Percentage
1-100	-	-
101-200	4	15.38
201-300	4	15.38
301-400	6	23.08
Over 400	12	46.16
Total	**26**	**100**

Source: Field Data (2022)

Table 4.2 above shows that majority of the respondents 12 (46.16%) indicated that they had a capacity of over 400 members. This is an indication that majority of the people in Narok County have joined SACCOs. This has facilitated financial inclusivity since SACCOs are more flexible particularly to low-income earners. The SACCOs that presented a low membership of between 101-200 were only four. This may be attributed to the fact that some of these SACCOs are still relatively young and are yet to attain the 10-year mark. Therefore, based on this finding this study acknowledges the important role played by SACCLOs in including financial inclusivity across all income earners.

4.4 Descriptive Statistics

The descriptive statistics was collected using a close ended questionnaire. The findings are presented below based on the specific objectives. The findings are presented using means and standard deviation in tabular form.

4.4.1 Credit Policy and Organization Performance

The first objective of the study sought to establish the effect of credit policy on organization performance of SACCOs in Narok County. The relationship between credit policy and organization performance was operationalized into seven items. The results are as shown in Table 4.3.

Table 4.3: Credit Policy

Description and characteristics	N	Mean	Std Dev
Available collection policies have assisted towards effective credit management in the SACCO	26	4.03	0.773
Formulation of collection policies have been a challenge in credit management	26	3.07	1.128
Enforcement of guaranteed policies provides for loan recovery in case of loan defaults by members of the SACCO	26	4.57	0.503
Staff incentives are effective in improving recovery of delinquent loans in the SACCO	26	4.27	0.724
Regular reviews have been done on collection policies to improve state of credit management	26	3.46	0.989
A stringent policy is more effective in debt recovery	26	4.23	0.764
Interest rates charged affect performance of loans in the SACCOs than a lenient policy	26	4.07	0.688
Average		**3.97**	

Source: Field data (2022)

Credit policy is crucial in every organization because it fosters a lending climate that allows members to produce wealth by responsibly saving, borrowing, and investing in profitable projects. The policy's rules and regulations are only intended to protect members from financial hardship and SACCO bad debts. Based on the statement presented to the respondents on credit policy, the average mean score recorded was 3.7. This implied that majority of the respondents agreed with the statements provided. The highest ranked statement was that enforcement of guarantee policies provides for loan recovery in case of loan defaults by members of the SACCO with a mean of 4.57 and a standard deviation of 0.503. This indicates that due to the uncertain nature of business conducted by SACCOs, they have to put in place guarantee policies. This enables the institution to recover the finances borrowed from a guarantor in the event that the borrower defaults to make payment. These guarantee policies are aimed at protecting the SACCO in recovering its loans incase of payment defaults, hence improving performance.

The respondents also agreed with the statements: Staff incentives are effective in improving recovery of delinquent loans in the SACCO (Mean = 4.27; Standard Deviation = 0.724); A stringent policy is more effective in debt recovery (Mean = 4.23; Standard deviation = 0.764). The two statements mean that the SACCOs studied had put in place strategies to ensure loan recovery by ensuring that the laws set are stringent and the employees were motivated through incentives. The employees are the heart of any institution, therefore, by ensuring they are motivated by implementing policies that offer staff incentives is essential in promoting loan recovery. Moreover, in accordance to the data gathered, it was indicated that the loan borrowers responded better to stringent policies as compared to light policies. This is critical since a key objective of credit policy is to offer a standard approach for undertaking tasks and activities associated with credit services.

The respondents further agreed that rregular reviews have been done on collection policies to improve state of credit management with a mean of 3.46 and standard deviation of 0.989. Due to the changes occurring in all sectors of business, including the financial sector, making reviews to meet the changes witnessed is critical. For SACCOs, the advancement in technology and increased competition has required that SACCOs make regular reviews with regards to their credit policies. Notably, while the policies and reviews made regularly are potent for the day-to-day operations of the SACCO, they have to be aligned with the Constitution of Kenya, the Co-operative Societies Act, 2004 and the Co-operative Societies Rules. These ensures that the policies adopted by the SACCOs in Kenya adhere to the legal requirements needed.

The respondents also agreed that available collection policies have assisted towards effective credit management in the SACCO with a mean of 4.03 and standard deviation of 0.773. This is essential since a function of credit policies is to eliminate any misunderstanding that may occur while offering credit to SACCO members. The respondents were also in agreement with the statement "Interest rates charged affect performance of loans in the SACCOs than a lenient policy" Mean = 4.07; Standard deviation = 0.688). This is attributed to the fact that SACCOs recognize that their customers are essential to their success. Therefore, by offering lenient interest rates, SACCOs facilitate easier loan repayment while at the same time maintaining their members. The least ranked statement was that formulation of collection policies have been a challenge in credit management with a mean of 3.07 and a standard deviation of 1.128. To ensure, the sustainability of the SACCOs in Kenya, the findings indicate that it is essential to have clear credit policies.

4.4.2 Credit Terms and Organization Performance

The effect of credit terms on organization performance of SACCOs in Narok county was tested using close-ended questions. Credit terms was operationalized into seven statements from which the respondents were required to show their level of agreement based on a Likert scale. The results are as shown in Table 4.4.

Table 4.4: Credit Terms

Description and characteristics	N	Mean	Std Dev
The SACCO regulations are clear on loan size	26	4.42	0.503
The SACCO regulates its fees and interest rates based on the SASRA recommendations	26	3.96	0.720
The SACCO communicates its collateral requirements to all of its members	26	3.80	1.166
The repayment schedules set by the SACCO have facilitated credit management	26	4.26	0.603
The SACCO educates its clients before issuing a loan	26	4.11	0.711
The SACCO offers information to its clients on penalties of the loans issued	26	4.15	0.543
The SACCO involves the customers in formulating credit terms	26	3.42	0.945
Average		**4.01**	

Source: Field data (2022)

Credit terms are the terms under which a financial organization extends credit to its consumers (Ahmed & Malik, 2015). The average mean score recorded on the statements concerning credit terms was 4.01. This shows that majority of the respondents agreed with the statements on credit terms to a large extent. The credit terms define the credit period as well as the interest rates. Furthermore, the credit duration refers to the amount of time that credit is extended, and the length of the credit period is influenced by collateral value, credit risk, account size, and market competition (Ahmed & Malik, 2015). The highest ranked statement was that the SACCO regulations are clear on loan size Mean = 4.42; standard deviation = 0.503). This is an indication that the sizes of loans offered by the SACCOs in Narok are very clearly communicated to all of its members.

Secondly, the respondents agreed to a large extent that the repayment schedules set by the SACCO have facilitated credit management (Mean = 4.26; Standard deviation = 0.603). This was attributed to the fact that the employees at the SACCO work on encouraging the members to make the loan repayments on a regular basis as agreed within the set repayment schedule communicated during the loan application. By communicating the loan repayment schedules, the SACCOs in Narok County cover themselves against bad loans or against default borrowers that lead to poor performance. The respondents agreed to a large extent that the SACCO is keen on offering education to all of their clients before awarding a loan (Mean = 4.11; Standard deviation = 0.711). This is essential, since the level of financial literacy, especially among low-income persons is low in Kenya. Therefore, by educating them on financial literacy, the SACCOs attempt to mitigate potential issues of default loan repayments. The findings also revealed that the SACCOs educate the customers by offering information on loans penalties Mean = 4.15; Standard deviation = 0.543) This is critical since it guarantees the SACCO that all of its borrowers understand the penalties they can incur if they default loan repayment. Additionally, the information offered to the clients was found to include collateral details (Mean = 3.84; Standard deviation = 1.166).

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SACOOs operate in accordance to the SASRA recommendations. Therefore, in the same way, the respondents agreed that the SACCOs regulated the interest rates and the fees as guided by the SASRA recommendations (Mean = 3.66; Standard deviation = 0.720). This is an implication that the SACCOs do not base their interest rates only on what the firm seeks to attain. To remain competitive and fair to its members the SACCO follow the recommendations of the SASRA. Lastly, the respondents agreed that the SACCO involves its customers in formulating credit terms with a mean of 3.42 and a standard deviation of 0.945. This may be done by collecting feedback from their members on the services offered. This is one recommendation of the SASRA that all customers ought to be included in decision making in SACCOs.

4.4.3 Credit Appraisals and Organization Performance

Thirdly, the study sought to assess the effect of credit appraisals on the organization performance of SACCOs in Narok County. The respondents were presented with statements from which they were required to indicate their level of agreement based on a -point Likert scale. Credit appraisals was operationalized into seven items. The results are as shown in Table 4.5.

Table 4.5: Credit Appraisals

Description and characteristics	N	Mean	Std Dev
Client appraisal is a viable strategy for credit management	26	4.23	0.485
Client appraisal considers the character of the customers seeking credit facilities.	26	4.38	0.637
Aspects of collateral are considered while appraising clients.	26	4.46	0.646
Failure to assess customers capacity to repay results in loan defaults	26	4.46	0.508
The SACCO has competent personnel for carrying out client appraisal	26	4.15	0.784
Collateral is greatly considered while evaluating clients.	26	4.65	0.485
Loan defaults are caused by failure to assess customer's capacity to post pay the bills.	26	3.92	0.890
Average		**4.32**	

Source: Field data (2022)

The average mean score of the statements was 4.32, this is an implication that majority of the respondents agreed strongly with the statements concerning credit appraisals. The highest ranked statements were; Aspects of collateral are considered while appraising clients Mean = 4.46; Standard deviation = 0.646); Failure to assess customers capacity to repay results in loan defaults (Mean = 4.46; Standard deviation = 0.508). The two statements covered two of the most important aspects of credit appraisals: the capacity and the collateral. Moreover, the respondents also agreed strongly that the client appraisals also consider the character of the customers seeking credit facilities Mean = 4.38; Standard deviation = 0.637). Credit appraisals considers the character of the borrower. This is because, SACCOs operate under risky terms, therefore, prior to issuing any loan, they have to evaluate their customers appropriately to establish whether the loan issued will be repaid within the agreed timeline and in accordance to the credit terms.

The respondents strongly agreed that collateral is greatly considered while evaluating clients with a mean score of 4.65 and a standard deviation of 0.485. The issue of collateral ensures that the SACCO is protected in case the customer is unable to repay the loan. However, it should be noted that action on the collateral is taken as a last option. This is because, a key aim of SACCOs is to ensure that their customers grow financially as the firm grows. Therefore, by taking action on the collateral placed, the customer loses, which is not ideal for the firm since it may result in the lose of customers. Thus, while collateral is considered to ensure loan repayment, it is usually a last option of recovering the loan.

The respondents were in agreement that client appraisal is a viable strategy for credit management (Mean = 4.23; Standard deviation = 0.485). The findings show that client appraisal is essential in ensuring the management of credit in the SACCOs. This is because, it enables the SACCO to know the customers appropriately before issuing any loans. Moreover, credit appraisals help in addressing the information asymmetry that exists between the SACCOs and the customers. Additionally, the respondents agreed that the SACCO has competent personnel for carrying out client appraisal (Mean = 4.15; Standard deviation = 0.784). This ensures that the SACCOs are well placed to understand their clients and determine which customers are able to repay the loans issued. Lastly, the respondents agreed that the loan defaults are caused by failure to assess customer's capacity to post pay the bills (Mean = 3.92; Standard deviation = 0.890). The capacity of the borrowers to repay the loan is essential. This is because, it guarantees that the loans issued can be recovered. However, it is important to note that this capacity of borrowers may change in case the client lose their jobs or due to slow businesses as a result of increased cost of living. In such instances, the customers are advised to remote such cases to the SACCO to avoid acting on the collateral.

4.4.4 Credit Risk Control and Organization Performance

The fourth objective of the study was to analyze the effect of credit risk control on organization performance of SACCOs in Narok County. Using a 5-point Likert scale, the respondents were asked to indicate their level of agreement on seven statements that were operationalized to measure credit risk control. The results are as shown in Table 4.6.

Table 4.6: Credit Risk Control

Description and characteristics	N	Mean	Std Dev
The SACCO has imposed loan size limits as a strategy of credit management	26	3.88	0.816
The use of credit checks on regular basis enhances credit management in the SACCO.	26	4.00	0.565
Flexible repayment periods improve loan repayment by members of the SACCO	26	4.23	0.764
The SACCO has imposed penalty for late payment to enhance customers commitment to loan repayment	26	4.38	0.596
The use of customer credit application forms improves monitoring and credit management in the SACCO	26	3.69	1.123
The SACCO understands that the committee's involvement in making decisions regarding loans are essential in reducing default/credit risk	26	4.38	0.496
Interest rates charged affect performance of loans in the SACCO	26	4.30	0.735
Average		**4.12**	

Source: Field data (2022)

Table 4.6 shows descriptive findings in relation to credit risk management. The average mean score attained from the statements was 4.12, an indication that the respondents agreed strongly with the statements presented. Credit risk control is an effective strategy since it helps in ensuring accountability of all the loans issues to members. The highest ranked statement was "The SACCO understands that the committee's involvement in making decisions regarding loans are essential in reducing default/credit risk" (Mean = 4.38; Standard deviation = 0.496). This is critical since by incorporating the contribution of the committees in decision making, the SACCOs are able to understand the needs of their members and in turn offer relevant and affordable services. The respondents were also in agreement with the statement that the SACCO has imposed penalty for late payment to enhance customers commitment to loan repayment (Mean = 4.38; Standard deviation = 0.596). By imposing penalties for late payment, the SACCOs, reduce the risk associated with late loan payments. Moreover, by imposing penalties the SACCOs also encourage their borrowers to make prompt loan payments. This helps in lowering the risk associated with lending loans to its members.

The respondents also agreed on the statement that interest rates charged affect performance of loans in the SACCO with a mean score of 4.30 and a standard deviation of 0.735. The finding implies that the interest rate charged positively impacts the ability of the borrowers to repay the loans, hence influencing the performance f the SACCO. Therefore, it can be drawn that lower interest rates facilitate faster repayment of loans while high interest rates will result in lower repayment of loans. This was backed up by the statement that flexible repayment periods improve loan repayment by members of the SACCO (Mean = 4.23; Standard deviation = 0.764). This implies that more to setting low interest rates, having flexible repayment periods helps in reducing risks associated with the lending of loans by SACCOs.

Additionally, the respondents agreed to the statement that the use of credit checks on regular basis enhances credit management in the SACCO (Mean = 4.00; Standard Deviation = 0.565). This is critical, since through credit checks, the SACCOs are able to lower the risk of lending to members. Additionally, the respondents were in agreement that the SACCO has imposed loan size limits as a strategy of credit management (Mean = 3.88; standard deviation = 0.816). This shows that the SACCOs have protected themselves by setting limits on the sizes of loans they can offer to their members based on the contribution of each member. Notably, the loan limits are also based on the financial contribution of each member. This helps in identifying the members that have the capacity to repay the loans, hence lowering the risk of lending. Additionally, the respondents agreed with the statement that the use of customer credit application forms improves monitoring and credit management in the SACCO with a mean score of 3.69 and a standard deviation of 1.123. Data management by SACCOs is essential in ensuring that the correct data of the members is used to issue loans. Moreover, it allows the

SACCO to learn more about the capacity of the members, thus controlling risks that may arise.

4.5 Organization Performance

The dependent variable of the study was organization performance. Organization performance was measured using ROA and ROE. The findings are presented on Table 4.7 below:

Table 4.7: Organization Performance

Variable	N	Min	Max	Mean	Standard Deviation
ROA	16	-6.4	11.2	2.3114	3.6253
ROE	16	5.0332	10.7179	8.0621	1.1537

Source: Secondary data (2022)

Table 4.7 above presents the summary of the descriptive statistics of all the study variables. Financial performance as presented in the table was measured using Return on Assets and Return on Equity. According to the findings, the SACCOs studied recorded positive returns as presented by ROA (2.3114) and ROE (8.0621). The means scores recorded shows that the SACCOs over the five-year period recorded high performance.

The non-financial performance of the SACCCOs was assessed using descriptive statistics was collected using a close-ended questionnaire. The findings are presented below in Table 4.8

Table 4.8: Organization Performance

Description and characteristics	N	Mean	Std Dev
The services offered by the SACCO are relevant	26	4.38	0.496
The SACCO offers efficient loan services	26	4.34	0.485
All the employees in the SACCO are well skilled to offer quality customer services	26	3.96	0.870
Most of the feedback from our customers are positive	26	3.92	0.844
Average		**4.15**	

Source: Field data (2022)

Based on the findings in Table 4.7, the average mean score in relation to the statements regarding organization performance was 4.15. This implies that majority of the respondents agreed with the statements regarding organization performance. The highest ranked statement was that the services offered by the SACCO are relevant with a mean score of 4.38 and standard deviation of 0.496. This shows that the SACCOs in Narok County have identified the needs of the people in Narok County and have filled the gap by offering affordable financial services. Further, the respondents also agreed that the Sacco offers efficient loan services with a mean of 4.34 and standard deviation of 0.485. This implies that the employees in the SACCOs are competent and offer qualified services to all of their customers. Moreover, the fact that the services offered by the SACCOs can be accessed 24hrs a day as a result of increased technology, is an indication of the efficient loan services they offer to their customers.

Additionally, the respondents agreed that all the employees in the SACCO are well skilled to offer quality customer services (Mean = 3.96; Standard deviation = 0.870). This has been effective in improving the performance of SACCOs, since competent employees ensure that service delivery is undertaken effectively. Lastly, the respondents agreed that most of the feedback from our customers are positive (Mean = 3.92; Standard deviation = 0.844). This implies that the SACCOs have a positive relationship with their customers, hence facilitating improved performance.

4.6 Discussion of Findings

4.6.1 Regression Analysis

The relationship between the independent variables and the dependent variable were tested by conducting statistical analysis. Regression analysis and correlation analysis were conducted to show the influence of credit management practices (credit policy, credit terms, credit appraisals and credit risk control) on organization performance of SACCOs in Narok county. In this study, a regression analysis was conducted to test the effect of credit management practices on organizational performance of SACCOs in Narok County. The researcher used statistical package for social sciences (SPSS V 25.0) to code, enter and compute the measurements of the multiple regressions. The model summary is presented in Table 4.9

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.820	0.672	0.610	0.427

Source: Primary Data (2022)

Table 4.9 shows that the value of R^2 was 0.672, implying that the independent effect of credit management practices (operationalized as credit policy, credit terms, credit appraisals and credit risk control) accounted for 67.2% of variation in organization performance of SACCOs in Narok County. The next part of the regression analysis involved computing the ANOVA. Table 4.10 displays the results of the ANOVA

Table 4.10: Summary of One-Way ANOVA results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	100.45	4	25.112	10.784	0.000
	Residual	48.9	21	2.328		
	Total	149.35	25			

Source: Primary Data (2022)

Critical value =1.71

The regression model had a significance level of 0.05 percent, indicating that the data was excellent for drawing a conclusion on the population parameters because the value of significance (p-value) was less than 5%, as indicated by the ANOVA statics. The calculated value was greater than the critical value (10.784>1.71) an indication that credit policy, credit terms, credit appraisals and credit risk control all have a significant effect on organization performance of SACCOs in Narok County. The model was significant as indicated by the significance level of 0.05.

In addition, the study used the coefficient table to determine the study model. The findings are presented in the Table 4.11

Table 4.11: Coefficient of Determination

		Unstandardized Coefficients		Standardized Coefficients		
	Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	2.379	0.871		2.731	0.013
	Credit Policy	0.475	0.215	0.401	2.209	0.038
	Credit Terms	0.541	0.087	0.296	6.218	0.000
	Credit Appraisals	0.584	0.098	0.211	5.959	0.000
	Credit risk control	0.411	0.034	0.193	12.088	0.000

Source: Research, (2022)

To show the relationship existing between the independent and dependent variables, a multiple regression analysis was undertaken. Based on the SPSS findings from Table 5, the following equation was generated:

$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$

$Y= 2.37+ 0.475X_1+ 0.541X_3+ 0.584X_4 + 0.411X_4$

Based on the regression equation established, the organization performance of SACCOs in Narok county will be 2.37 taking all of the other factors (credit policy, credit terms, credit appraisals and credit risk control) into consideration at a constant of zero. The findings also revealed that while all of the other independent variables are held at zero, organization performance would increase by 0.475 if credit policy increases by a unit. Similarly, a unit increase in credit terms would increase organization performance by 0.541; an increase in a unit of credit appraisals would result in a 0.584 increase in organization performance; and a unit increase of credit risk control would result in a 0.411 increase in organization performance. This shows that all the independent variables had a positive effect on organization performance The results are similar to finding by Okpala, Osanebi, and Irinyemi (2019) who found that credit management strategies positively influence organization performance.

4.7 Correlation Analysis

A correlation analysis was conducted to show the relationship between the variables under study, namely, (credit policy, credit terms, credit appraisals and credit risk control). The results of the correlation analysis showed the strength of the relationship between an independent variable and a dependent variable in a single Pearson product-moment coefficient (r) value. The r value normally ranges from (-1) a negative value to (+1) a positive value. The correlation analysis for the study was conducted to indicate whether the relationship between the independent and dependent variable was strong or weak. Further, the correlation analysis also indicated whether the linkage between the study variables was either positive or negative. To determine the significance of the relationship between the variables, a two-tailed test was employed. The findings of the correlation analysis are presented on Table 4.12 below.

Table 4.12: Correlation Matrix

		Credit Policy	Credit Terms	Credit Appraisals	Credit Risk Control	Organization Performance of SACCOs in Narok County
Credit Policy	Pearson Correlation	1				
	Sig. (2-tailed)	.				
	N	26	26	26	26	26
Credit Terms	Pearson Correlation	.253	1			
	Sig. (2-tailed)	.024	.			
	N	26	26	26	26	26
Credit Appraisals	Pearson Correlation	.415	.274	1		
	Sig. (2-tailed)	.049	.026		.	
	N	26	26	26	26	26
Credit Risk control	Pearson Correlation	.345	.297	.234	1	
	Sig. (2-tailed)	.002	.034	.026		
	N	26	26	26	26	26
Organization performance of SACCOs in Narok County	Pearson Correlation	.672	.725	.719	.516	1
	Sig. (2-tailed)	.004	.006	.033	.004	.
	N	26	26	26	26	26

Source: Field Data (2021)

From Table 4.12, a strong positive R-Value 0.672 was established between credit policy and organization performance. Credit terms had a correlation value of 0.725. This implies a linear relationship between credit terms and organization performance. Table 4.12 also show that credit appraisals had a correlation value of 0.719, an implication of a significant, positive and linear relationship with organization performance. The findings also revealed that credit risk control and organization performance had a significant relationship with a correlation of 0.516.

4.8 Discussion of the Study

4.8.1 Credit Policy and Organization Performance

A credit management policy is used as a guide to establish the terms and conditions for the sale of products and services on a credit basis, the customer qualifying standards, the collection process, and the actions to be done in the event of customer delinquency (Akinleye and Olarewanju (2019). According to the findings, credit policy was identified to be critical in the day-to-day operations of the SACCOs in Narok County. This was si,milar to findings by Onuora and Ifeacho (2017) that handling the company's credit affairs and allocations takes up around 60% of a normal finance manager's work. According to the findings, the credit policy facilitated easy loan collection since it allowed the SACCOs to collect the loan repayment from the guarantors presented during the loan application. This was supported by results by Akinleye and Olarewanju (2019) who found that in Nigeria, due to the lack of adhering to credit policies, the SACCOs incurred losses.

SACCOs operate in a risky business environment, as such, the fidnings indicated that a review of the credit policies was conducted regularly. This was identified as an essential step since, it allowed the SACCOs to be up-to-date with the changes in the business environment while at the same time changing their policies to fit not only the business by the customers as well. Mugambi et al. (2015) found that the various SACCOs were exposed to significant credit risks, which necessitated the modification of the lending policy in order to lower the risk of liquidity and enhance the SACCOs' overall financial performance.

Based on the regression analysis, the findings indicated that credit policy positively influences organization performance. This finding contradicted results by Onuora and Ifeacho (2017) that debtor turnover has a large positive impact on Return on Assets whereas credit policy and liquidity management have a significant negative link to Return on Assets. Notably, the finding concurred with outcomes by Kungu et al. (2014) that credit policy positively affects profitability an indicator of performance) in manufacturing companies. Therefore, based on these findings, it was be established that credit policy has a positive effect on performance since it allows SACCOs to operate in a suitable business environment that guarantees all stakeholders are protected.

4.8.2 Credit Terms and Organization Performance

Credit terms are benchmarks or negotiated criteria (given by a seller to a buyer) that govern the monthly and aggregate credit amount, the maximum payback time, the cash discount or early payment discount, and the amount or rate of late payment penalty (Chick, 2018). According to the findings, it was revealed that the credit terms of the SACCOs are guided by the SASRA recommendations. This enables the SACCOs to remain competitive in the market since they follow standardized terms. Moreover, as indicate din the findings, the SACCOs are clear about the size loans they offer to their members. This leaves no room for misunderstanding or any ambiguities. This is critical since as observed by Wilberforce, Robert, and Atwiine (2021) credit terms can be assessed in form of reduced interest rates, good client appraisal mechanisms and good credit risk control systems.

Further, the findings revealed that the SACCOs educate their members on the services offered. This is done by offering information on collateral requirements and interest rates to all of the members before issuing them a loan. This is a necessary step since it allows the members to be financially literate before making decisions on taking loans. According to Garikipati, (2010) the use of collateral is a last approach for the SACCOs to guarantee loan repayment. Therefore, it was found critical to offer members information on collateral before issuing any loan.

The study found that good credit terms have a positive impact on performance. This is because, favourable credit terms imply, lower interest rates, less collateral and adequate repayment period. According to the findings, favorable credit terms improve access to funding and encourage payback, resulting in higher loan performance for the lending financial institution. According to the report, if a company can invest in additional endeavors and boost its sales volume. Increased sales volume and output will result in increased revenues and profitability, resulting in improved financial performance.

Furthermore, Edwin and Omwaga (2018) discovered that credit terms all had a statistically significant impact on MFI financial performance. Notably, limited loan availability can have a severe impact on financial viability if businesses run in poor economic conditions with high interest rates. Firms, on the other hand, can resolve their liquidity restrictions provided financing is available and competitively priced.

4.8.3 Credit Appraisals and Organization Performance

The practice of evaluating a borrower's credit worthiness is known as credit appraisal. Credit appraisal focus on three elements, the capacity, character and collateral of the borrowers. In accordance to the theory of information asymmetry by Stiglitz and Weiss (1981), credit appraisals help in addressing the challenge of information asymmetry experienced by SACCOs. This is pertinent, since through credit appraisals the SACCOs are able to understand the capacity and character of the borrower. This helps in reducing the risks associated with lending money to borrowers not known to the SACCO. Notably, the findings concur with Ahmad and Bashir 2013) that SACCOs perform well when credit risk is decreased since it lowers the amount of non-performing loans.

Makori and Sile 2012) measured the ability of the borrower to repay debt using the borrower's character assessment, the characteristics of the collateral, the CRB credit score, and the utilization of the funds were used in this study as proxy measures for credit evaluation. This concurs with the findings of this study, where collateral was established to be critical in determining whether the SACCO would issue credit services. This is because, similar to the capacity and character, collateral also reduces the risks likely to be incurs by the SACCMO. This is because, it provides an avenue for the SACCO to recover its loan in case of any default. This in turn positively affects organization performance. The findings are similar to Aliija and Muhangi (2017) who found that credit appraisals enables the MFIs to only lend money to competent borrowers who have the ability to repay the loan, hence improving the institutions performance. Moreover, Makori and Sile (2017) found that customer reviews positively affect profitability. In order to ensure greater profitability, the study advised SACCO management to establish efficient credit appraisal procedures. This assertion was also supported by authors Mureithi (2016) and Ghimire and Abo (2013).

4.8.4 Credit Risk Control and Organization Performance

Credit risk is the likelihood that a client of a commercial loan will not fulfill the conditions outlined in the loan contract (Warsame, 2016) Therefore, as SACCOs undertake their day-to-day operations, credit risk control is critical to ensure that the risks associated with lending money to borrowers is mitigated. According to the findings, it was established that designing appropriate interest rates and flexible repayment period are essential strategies in lowering credit risk, hence having a positive effect on organization performance. The findings were similar to results by Alshatti (2015) that managing credit risk had an impact on the financial performance of the banks.

A key cause of bank loss is credit or default risk, particularly when customers don't fulfill their responsibilities to pay back loans or other debts (Alshatti, 2015). In the same way, the findings revealed that to avoid payment defaults, the SACCOs conduct credit chacks and store information on their members. This is critical since it helps the SACCOs to keep track of their inter actions with their members. This finding concurred with outcomes by Bhattarai (2016) that while the cost of a loan asset had a beneficial impact on the banks' overall performance, the NPL loan percentage had a negative impact on that performance. Based on these findings, it can be deduced that the core of credit risk control is to acoid non-performing loans.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This is the last chapter of this project, it documents the summary of the findings, the conclusions drawn, the recommendations and suggestions for further research in the future.

5.2 Summary of Findings

The summary of the findings is based on the four specific objectives tested in this study. The first objective of the study evaluated the effect of credit policy on the organization performance of SACCOs in Narok County. The findings indicated that credit policy in the SACCOs is essential since they provide a framework for offering and recovering credit financing. Moreover, due to the high risk associated with lending money to the members, the findings indicated while the SACCOs offer lenient interest rates, stringent policies were found to influence loans recovery. This was backed with ensuring that the employees are motivated through incentives. The findings drew the conclusion that credit policy has a positive effect on organization performance.

Based on the second objectives, to assess the effect of credit terms of organization performance of SACCOs in Narok County. The study found that credit terms as measured by interest rates and period of loan repayment has a positive effect on organization performance. According to the study favorable credit terms not only encourage the SACCO members to apply for a loan but also to repay it promptly. Notably, the credit terms by SACCOs have been found to be favourable by middle-income earners, however, these terms can be improved particularly in low-income areas where the people earn lower incomes.

The third objective assessed the effect of credit appraisals on organization performance. Credit appraisals was measured in terms of client capacity, character and collateral. According to the findings, credit appraisals help the SACCOs in lowering risks associated with offering loans to individuals they do not know. Through credit appraisals, SACCOs are able to evaluate all of the applicants of credit services, thus able to offer loans based on the clients' character. The study concluded that credit appraisals positively impact organization performance in SACCOs at Narok County.

The last objective of the study was to evaluate the effect of credit risk control on organization performance. Risk is a common phenomenon in MFIs and in particular in SACCOS. This is attributed to the fact that SACCOs operate in the field of offering credit services to all of their customers. As such, the study established that risk control strategy has been implemented to mitigate such risks. From the study, it was established that credit risk control significantly impacts organization performance of SACCOs in Narok County.

5.3 Conclusion

SACCOs operate in an uncertain business environment. This is because, the nature of work entails that they offer credit services to borrowers who may lack the capacity to repay their loans. This increases the chances for SACCOs to incur loses in the form of NPLs. Therefore, to mitigate such limitations, SACCOs in Narok county were found to have implemented different credit management strategies. The study concludes that credit policy, credit terms, credit appraisals and credit risk control have been adopted as strategies in addressing the NPLs incurred by SACCOs. The study concludes that appropriate credit policies and terms facilitate in loan repayment hence improving organization performance. Further, the study found that credit appraisals in assessing the capacity, character and collateral positively impacts organization performance. Lastly, the study concludes that credit risk control is essential in improving performance.

5.4 Recommendations of the Study

Based on the findings identified, the study makes a number of recommendations. The first recommendation is that the SACCOs should implement appropriate policies that encourage loan repayments by the members. These policies may be built on the foundation of interest rates and flexible period for loan repayments. These policies will be helpful in encouraging borrowers to promptly make the loan repayments.

Additionally, the study recommends that the government policy makers should step in and offer subsidies to SACCOs. This is in acknowledgement of the current difficult times caused by inflation across the world. The increased cost of living has lowered the members' capacity of borrowing loans. Therefore, the government should offer subsidies to SACCOs so that they can reduce the interest rates charged by these financial institutions.

The study also recommends that the SASRA should readjust their frameworks and policies in consideration to the emerging issues across the world. This is because, the SACCOs operate under the guidance of the SASRA. Therefore, if the SASRA sets stringent policies and frameworks, the same is replicated to the customers which may discourage them from taking loans or making loan repayments.

Before selling off their collateral, SACCOs should always offer loan structuring to some of their suffering clients, which may enhance the connection between clients and the SACCOs, encourage clients to pay their loans, and raise the rate of loan recovery. All of the SACCOs should address the issue of selling the members collateral as a last resort. This will help in establishing better relationships with the customers and encourage the borrowers to make payments.

SACCOs should establish independent risk screening teams to analyze clients taking out loans to limit risk on non-performing loans and boost loan recovery and loan performance in their portfolio SACCOs. The client appraisals are necessary in the SACCOs industry. This is because, screening addresses the issue of information asymmetry experienced by financial organization. Therefore, an effective screening team should be established in all the SACCOs in Narok county, thus lowering the number of non-performing loans.

Finally, the study recommends that informal relationships between SACCOs and borrowers be promoted because they aid in the monitoring and early detection of problems that may occur in loan non-repayment, which eventually leads to credit risk.

Furthermore, cooperation and coordination among various agencies that provide further assistance to borrowers may aid SACCOs in risk management in their business.

5.5 Suggestions for Further Studies

The focus of the study was the effects of credit management strategies on organization performance in SACCOs at Narok County. This study suggests that other studies should be conducted to access the effect of credit management strategies on other variables such as loan repayment performance and competitiveness of SACCOs. This can help broaden up the scope on the issue of credit management strategies and their role in facilitating the competitiveness of financial institutions. The study was also conducted in Narok county where the number of SACCOs was only 16. Therefore, a similar study should be conducted in other counties with many SACCOs such as Nakuru County and Nairobi County.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

This questionnaire is categorized into two. The demographic questions about the respondents will be covered in section A. Section B will collect data on the study variables. NB: Confidentiality and privacy will be maintained in handling the responses provided

Kindly tick (√) where applicable and do not indicate your names or personnel number.

Section: A: Demographic Information

1. When was the SACCO established? ....
2. How many members does the SACCO have? (Tick as applicable)
    - i. 1-100 []
    - ii. 101-200 []
    - iii. 201-300 []
    - iv. 301-400 []
    - v. Over 400 [ ]

Section II. Credit Management

3. To what extent do you agree or disagree with the following statements in relation to credit management. Using a scale of 1 - 5, tick the appropriate answer from the alternatives provided. 1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree and 5 = Strongly Agree

Credit Policy	**1**	**2**	**3**	**4**	**5**
Available collection policies have assisted towards effective credit management in the SACCO					
Formulation of collection policies have been a challenge in credit management in the SACCO					
Enforcement of guarantee policies provides for loan recovery in case of loan defaults by members of the SACCO					
Staff incentives are effective in improving recovery of delinquent loans in the SACCO					
Regular reviews have been done on collection policies to improve state of credit management in the SACCO					

A stringent policy is more effective in debt recovery in a SACCO					
Interest rates charged affect performance of loans in the SACCOs than a lenient policy					
Credit Terms	**1**	**2**	**3**	**4**	**5**
The SACCO regulations are clear on loan size					
The SACCO regulates its fees and interest rates based on the SASRA recommendations					
The SACCO communicates its collateral requirements to all of its members					
The repayment schedules set by the SACCO have facilitated credit management					
The SACCO educates its clients before issuing a loan					
The SACCO offers information to its clients on penalties of the loans issued					
The SACCO involves the customers in formulating credit terms					
Credit Appraisals	**1**	**2**	**3**	**4**	**5**
Client appraisal is a viable strategy for credit management in a SACCO					
Client appraisal considers the character of the SACCO customers seeking credit facilities					
Aspects of collateral are considered while appraising clients in this SACCO.					
Failure to assess SACCO customers capacity to repay results in loan defaults					
The SACCO has competent personnel for carrying out client appraisal					
Collateral is greatly considered while evaluating clients in this SACCO					
Loan defaults are caused by failure to assess SACCO members' capacity to post pay the bills.					

Credit Risk Control	1	2	3	4	5
The SACCO has imposed loan size limits as a strategy of credit management					
The use of credit checks on regular basis enhances credit management in the SACCO.					
Flexible repayment periods improve loan repayment by members of the SACCO					
The SACCO has imposed penalty for late payment to enhance customers commitment to loan repayment					
The use of customer credit application forms improves monitoring and credit management in the SACCO					
The SACCO understands that the committees involvement in making decisions regarding loans are essential in reducing default/credit risk					
Interest rates charged affect performance of loans in the SACCO					

4. To what extent do you agree or disagree with the following statements in relation to performance of SACCOs. Using a scale of 1 - 5, tick the appropriate answer from the alternatives provided. 1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree and 5 = Strongly Agree

Performance	1	2	3	4	5
The services offered by the SACCO are relevant					
The SACCO offers efficient loan services					
All the employees in the SACCO are well skilled to offer quality customer services					
Most of the feedback from our customers are positive					

Thank you for taking the time to complete this questionnaire

APPENDIX II: DATA COLLECTION FORM

	2018	2019	2020	2021	2022
ROA					
ROE					

APPENDIX III: LIST OF SACCOS

1. Mwalimu National SACCO
2. Puan SACCO
3. Imarisha SACCO
4. Ollin SACCO
5. Cosmopolitan SACCO
6. Hazina SACCO
7. Afya SACCO
8. Nasaruni SACCO
9. Harambe SACCO
10. Maasai Mara University SACCO
11. Stima SACCO
12. Narok Golden Chance SACCO
13. Narok Eagles SACCO
14. Good Hopes SACCO
15. M-Pesa Puan SACCO
16. Narok Fleet SACCO