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ABSTRACT

The current study sought to find out the influence of credit management practices on the financial performance of deposit-taking Saccos in Nairobi County, Kenya. Specifically, the study aimed to establish the influence of loan repayment period, collection effort, collateral security, and credit appraisal process on financial performance. The study reviewed Asymmetry Information Theory (AIT), Modern Portfolio Theory (MPT), and agency theory to try and explain the relationship between credit management practices and financial performance. This study employed a descriptive survey design. The study targeted 214 credit managers and credit officers of the fifty-nine deposit-taking Saccos in Nairobi County-Kenya. Stratified random sampling technique was used to sample 139 respondents. The study used a structured questionnaire to collect primary data. Prior to carrying out the actual study, the researcher conducted a pilot test on five Saccos in Nakuru County to establish validity and reliability using content validity and Cronbach's alpha, respectively. The study used descriptive statistics and multiple regression. The research instrument was reliable, as indicated by Cronbach Alpha values greater than 0.7. Data were analyzed using both descriptive and inferential analysis with the aid of SPSS version 26. The results revealed that the four credit management practices influenced financial performance of deposit taking saccos in Nairobi City County, Kenya. The study concluded that loan repayment period, collection effort collateral security and credit appraisal process significantly influence financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. Therefore, the study recommended that SACCOs should refine their loan repayment policies by adopting flexible repayment terms that accommodate borrowers' financial capabilities while maintaining strict risk assessment frameworks. SACCOs should strengthen their loan collection efforts by adopting proactive collection strategies such as personalized reminders, flexible penalties, and targeted staff incentives.

Key Words: *Loan Repayment, Collection Effort, Loan Collateral Security, Credit Appraisal*

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INTRODUCTION

Financial institutions like SACCOs and main stream banks are most relevant in the economy world over. They operate by investing funds which have been deposited by members and interests earned when these funds are lend out to members and have earned interest, thereby, ensuring there is sufficient cashflow (Chavaz, & Rose, 2016). Individuals or financial institutions borrow from them. In order to advance loans or buy shares, they then use certain deposits and borrowed funds. These loans are provided by banks to undertakings, other financial institutions, individuals, and governments that need investment funds at cost; that is, interest rates. Credit risk is the probability of partially or entirely losing the unpaid loan due to credit events (default risk) and this is an internal determinant of bank efficiency, and it is a measure of the efficacy of an institution's lending management practices. Obuobi and Polio (2015) suggests that a bank's exposure to credit risk has a favorable relationship with the bank's likelihood to suffer a financial crisis.

Credit management practices play a critical role in the financial performance of banks and financial institutions worldwide. Effective credit management helps in mitigating risks, improving liquidity, and enhancing profitability. Globally, the financial sector has faced significant challenges, particularly due to financial crises and economic downturns. In the United States, for instance, credit management practices have been influenced by global financial turmoil, leading to tighter inter-bank liquidity and mounting pressure on major banks. As a result, default rates are projected to reach pessimistic levels of 6.5%, underscoring the need for robust credit management frameworks (S&P Global, 2023).

In Nigeria, credit management practices have been extensively studied in the context of both commercial banks and microfinance institutions. A study by Adeyemi and Oladokun (2020) highlighted the positive impact of credit management practices on the financial performance of Nigerian banks. The study emphasized the need for robust risk control and credit appraisal mechanisms to mitigate risks and enhance profitability.

Kenyan SACCOs, according to reports, have a history of underperforming players who have had worrisome loan performance. Loan advances to different types of customers (institutions, organizations, and people) made up a significant portion of the asset value of Kenyan SACCOs (73.42%) (Fujo & Ali, 2019). Despite the importance of SACCOs' lending role, their capacity to execute and ensure survival in accordance with the going concern goal is severely harmed by their failure to effectively manage this class of assets (Gichuhi & Omagwa, 2020). According to statistics, Kenyan savings and credit cooperatives (SACCOs) are still facing serious problems with loan repayment. This means that keeping an eye on and making improvements to the loan portfolio is crucial for its effective management.

Problem Statement

Despite the significant government initiative, SACCOs continues to frustrate millennium development goals and vision 2030 objectives of increasing financial inclusion. According to (SASRA, 2022), many SACCOs in Kenya have posted poor performance in terms of return on asset, return on equity and return on investment. Furthermore, financial performance of deposit taking Saccos has shown mixed outcome between 2019 and 2023. The return on equity of deposit taking Saccos decreased from 39.6% in 2019% to 38.1% in 2020 thereafter it increased to 57.8% in 2021, and 55.0% in 2022 before decreasing to 49.3% in 2023 (SASRA, 2024). The overall loan portfolio at risk (PaR), defined as a proportion of non-performing loans (NPLs) to gross loans, increased from 5.23 percent in 2024 to 8.39 percent in 2020, according to the 2024 SASRA loan condition statistics. Specifically, there has been increasing trend of portfolio at risk from 2019 to 2023. In 2020, it rose from 5.23% in 2019 to 6.14% while in 2021; it rose to 6.3% from 6.14. However, in 2022, it reduced to 6.15% before jumping to 8.39% in 2023.Kenyan SACCOs' PaR,

therefore, exceeds both the World Council of Credit Unions' (5%) and SASRA's (3%) recommended maximums by a significant margin (SASRA, 2021).

There has been mixed effect of credit management practices on financial performance with some indicating positive significant, insignificant and negative effect. Elsas, Hackethal, and Holzhäuser (2020) conducted a study on German banks and found that credit management practices, particularly into significantly improved financial performance. However, Hannan and Rhoades (2017) examined the relationship between credit management practices and financial performance in a sample of 100 US banks from 1976 to 2020. The results show that credit management practices has no significant effect on financial performance, as measured by ROE and ROA. Ndungu and Muturi (2019) credit management practices had a negative impact the financial performance the commercial banks. Limited empirical exploration exists on the combined influence of credit management practices on the financial performance of Deposit Taking SACCOs in Kenya, despite their increasingly dominant role in the country's financial landscape. Ngahu (2020) examined influence of credit management practices on financial performance of tier two banks in Kenya. The study recommended that further study should be conducted in other financial institution apart from commercial banks. Therefore, the study sought to establish the effect of the credit management practices on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya.

Objectives of the study

The main objective was to determine the influence credit management practices on financial performance of deposit taking saccos in Nairobi City County, Kenya. The specific objectives were:

- To establish the influence of loan repayment period on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya.
- To examine the influence of collection effort on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya.
- To examine the influence of loan collateral security on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya.
- To examine the effect that credit appraisal process had on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya.

LITERATURE REVIEW

Theoretical Review

Asymmetry Information Theory (AIT)

In application, Saccos can use the information given to comparison bureaus during credit assessment to screen out lenders with a high debt burden risk and defaulters, allowing only those clients who can pay and fulfill their repayment obligations to access credit. Risk reduction and recognition details are important in credit assessment. The lender looks for information about the borrowers while screening different borrowers to validate their credit worthiness. This theory applies to credit appraisal process because DT-Saccos should utilize the information given to the reference bureaus during credit appraisal process to evaluate borrowers with a high debt load exposure and defaulters. According to this idea, credit may only be obtained by customers who can pay and fulfill their payback responsibilities.

Modern Portfolio Theory

This theory will be used to explain the link between the length of the loan payback term and the financial performance. In application to the proposed study, considering that, when various assets are coupled with rates which are not fully linked, portfolio theory reduces the total variation in the asset mix over a particular investment term. The return is determined by dividing the change in asset value by any distribution earned during the time the assets were retained, and then expressing the result as a percentage of the initial investment.

Agency Theory

The company agents may at times not act in accordance with the principals best interests. This

may be caused by various factors for instance differences in risk appetite. This may in turn lead to agents not fully exploiting available opportunities hence not optimally add value to principals objectives and expectations. In the engagement of both principals and agents, risk preferences need to clear and made initially so as to minimize the occurrence of agency problem (Jensen and Meckling, 1976). This theory explains how credit officers of the Deposit taking Saccos act on behalf of the DT-Saccos and its shareholders and directors to ensure that the credits yield interests for the lending institutions through collection efforts.

Conceptual Framework

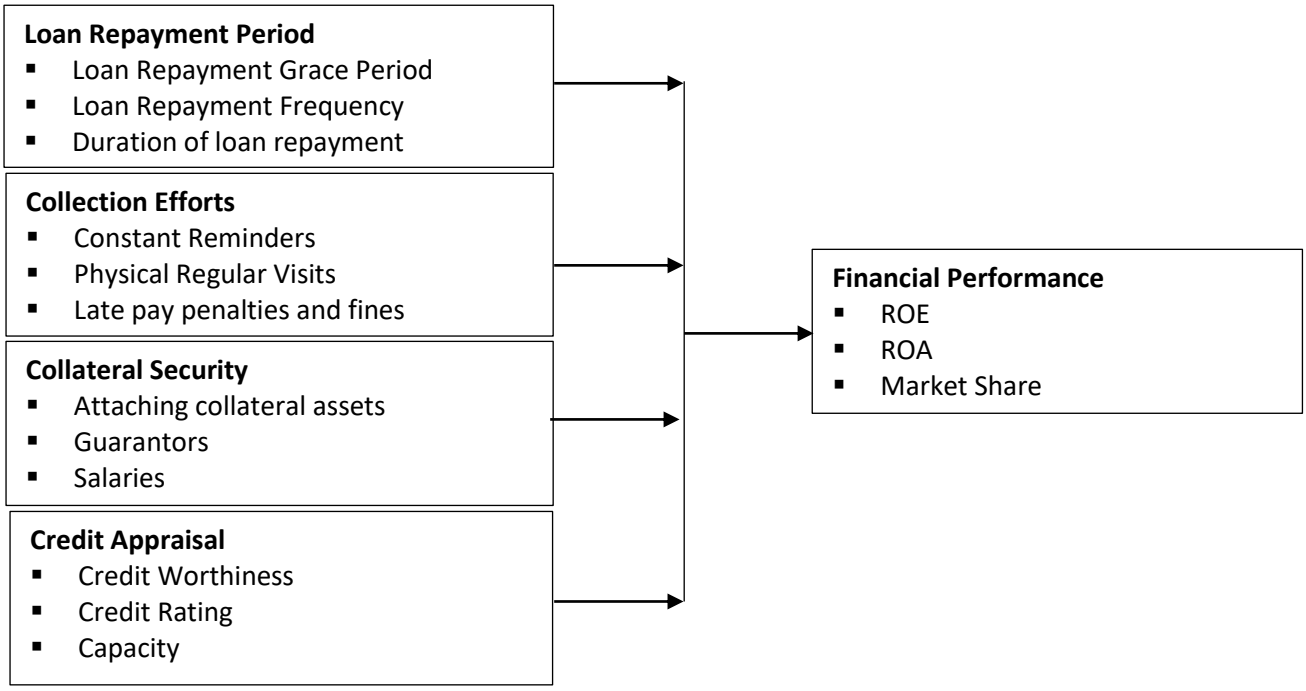

Figure 1: Conceptual Framework

Empirical Literature

Loan repayment period and financial performance

Research conducted in Ethiopia by Kabede, Tegegn, and Tafese (2024) sought to examine and identify the main variables that influence small-scale business loan repayment performance and the major difficulties faced by MFIs in the Wolaita and Dawuro region. In this regard, researchers gathered and evaluated data from primary and secondary sources utilizing two limit Use of the Tobit model. Borrowers' ability to repay their loans was shown to be strongly influenced by the payback duration. The likelihood of loan payback increases substantially if the repayment term is appropriate for the borrower's financial circumstance. As a result, the institution must provide customers with enough time to put their borrowed loans to good use and plan ahead of time to collect loans that will enable them to sell their company's product.

Collection Effort and financial performance

Collection efforts were also taken into account in certain research while determining the NPLs rate. Dickerson (2024) utilized a descriptive survey methodology and a sample of 125 respondents to study collection policy and loan efficiency among UK SACCOs. Structured questionnaires were used along with descriptive and inferential statistics to assess the study data. Study results show that collection policy is a guide that guarantees timely payment and frequent collections. One of the reasons for this is that not all customers fulfill their responsibilities; some just take them for granted,

others simply forget, and still others simply do not have a culture of paying unless convinced to do so.

A study by Mot, Masinde, Mugenda and Sindani (2018) in Kenyan SACCOs looked at the factors that determine financial sustainability and used a pragmatic research paradigm with a sample of 342 people who answered questionnaires. One of the goals of the research was to discover how SACCO debt collection attempts are influenced by one another. Qualitative and quantitative methods were also used in the research proposal. According to the results of the research, collection attempts and non-performing loans have a significant impact. In addition, the research discovered a link between collection attempts and non-performing loan levels.

Collateral Security and financial performance

Factors affecting the loan repayment performance of Ghanaian fisherman were studied by Acquah and Addo (2021). A standard questionnaire was used to collect data from 67 randomly selected fisherman. Descriptive statistics and multiple regression analysis were the primary analytical methods, with an interview schedule serving as the primary data collecting instrument. According to the findings, the vast majority of fishermen questioned were in their prime working years, earning an above-average yearly salary, and had substantial fishing expertise. Collateral security is shown to be a significant predictor of loan repayment in the regression study. The model's variables accounted for 77% of the variance in loan repayment.

A study conducted in Kisii County, Kenya by Muriungi and Maina (2021) looked at the impact of collateral utilized by small and medium microenterprises on commercial bank loan performance. The study applied descriptive design and census on the fourteen (14) commercial banks and established that most banks prefer motor vehicles on security in order to reduce the risk of default. Further most banks discourage clients from using land and buildings as collaterals.

Credit appraisal process and financial performance

According to Ntiamoah, Oteng, Opoku, and Siaw (2020), credit management methods in Ghana's Greater Accra area are linked to loan performance. Using administered questionnaires, data were gathered from 400 Microfinance businesses in Ghana, with the population comprising of management and non-management employees. Correlation and regression were used to examine the final results. According to the findings, there was a strong connection between loan terms and insurance policy. Study results failed to show whether or not credit risk procedures and commercial bank portfolio performance had been significantly impacted.

In Nairobi City County, Kenya, Amunabi and Koori (2018) investigated the relationship between deposit accepting SACCOs' financial performance and credit assessment techniques. According to the list of SACCO Societies that had been legally permitted to conduct deposit-taking SACCO activity in Kenya, descriptive study design was used with a target population of 51 registered SACCO in Nairobi, Kenya. The systematic random sampling method was used to obtain a sample size of 45 people. To collect data, researchers used questionnaires. This data was then compiled, edited, and analyzed using SPSS software version 24. In the survey, 86.7% of people said that their SACCOs had implemented the credit appraisal process method.

METHODOLOGY

This study employed a descriptive survey design. According to Mugenda (2018), descriptive research is appropriate for collecting data to answer questions concerning the current status of a phenomenon and does not involve manipulation of study variables. The design was chosen because it is inexpensive, requires few resources, and allows for simultaneous data collection from all respondents at the same time. It also enabled the researcher to integrate data from study questionnaires, providing more valuable information on the subject (Mugenda & Mugenda, 2018).

This group of individuals represents the population for which information is being sought, also known as the target population (Cooper & Schindler, 2020). Mugenda and Mugenda (2020) define a target population as a complete grouping of all representations of an actual or theoretical group of people, events, or objects to whom the researcher intends to generalize the findings of their study. Specifically, the study targeted 214 credit managers and credit officers from the fifty non-deposit taking Saccos in Nairobi County, Kenya. The target population is therefore 214.

In this study, a sample size of 139 was obtained using Yamane's formula, which is a widely used method for estimating sample size (Yamane, 1967).

The study used a structured questionnaire to obtain standardized data that could be compared, summed, and subjected to further statistical analysis. The structured questionnaire was the primary data collection tool, as the fixed set of options provided to respondents made it easy to code and analyze (Cooper & Schindler, 2020).

A pilot study is carried out when a questionnaire is given to a small group of respondents (typically ten percent of the sample size) with the intention of pre-testing the questions. In this study, the researcher established the validity and reliability of the research instruments using five Saccos in Nakuru County as a pilot project. The goal of the pilot study was to identify any ambiguities in the research questions and uncover any issues with the research methodology or data collection methods.

The researcher was collected primary data by having respondents fill out self-administered questionnaires. The data was obtained using the drop and pick method, in which the researcher served the questionnaire to the study participants after recognizing them and then waited patiently as they complete it. The data was collected over a four-week span.

IBM Statistical Package version 27 was used to analyze the data collected via questionnaire. For the analysis, descriptive statistics refers to statistical methods that do not falsify relationships but help in the interpretation of the results (Kothari, 2020). As a consequence, descriptive statistics aided the researcher in efficiently organizing data in the analysis. Correlation analysis was used to determine the course, strength, and significance of relationships between variables. The degree to which a change in the independent variable induced a change in the dependent variable was determined using regression

FINDINGS AND DISCUSSIONS

Response Rate

One hundred and thirty-nine (139) of the questionnaires were administered to sampled respondents. However, 107 questionnaires were returned completely filled representing a response rate of 77.0%. This surpassed Mugenda and Mugenda (2008) of greater than 70% and Babbie (2004) of greater 60% return rate. Fairly good response rate was achieved due to adoption of drop and pick method in the administering of questionnaires. The researcher also assured the respondents of their anonymity and confidentiality of the data collected.

Descriptive Statistics

The presentation of descriptive statistics is based on the frequencies, percentage, mean and standard deviation of study variables. These variables were loan repayment period, collection effort, loan collateral security and credit appraisal process which were independent variables while financial performance was dependent variable. The respondents were asked to indicate their level of agreement from 1 strongly disagree, 2-Disagree, 3-undecided, 4-agree and 5 strongly agree. The findings are as follows.

Loan repayment period

Loan repayment period variable was used in the first objective which sought to examine the influence of loan repayment period on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The results are presented in Table 1 in which percentage are presented outside

brackets while frequency in the brackets. The agreement ranged from 1 strongly disagree, 2-Disagree, 3-undecided, 4-agree and 5 strongly agree. SDV is the standard deviation.

Table 1: Loan repayment period

Loan repayment period	1	2	3	4	5	Mean	SDV
The Sacco constantly analyzes the credibility of the applicant in order to establish the conditions of the loan repayment period for the applicant.	5.6%	5.6%	28%	12.1%	48.6%	3.93	1.226
The loan repayment term influences a client's willingness to repay a loan.	5.6%	15%	30.8%	34.6%	14%	3.36	1.076
The risk level defines the period for the repayment of the loan.	5.6%	15.9%	14%	36.4%	28%	3.65	1.206
The grace period provided before repayment is favorable.	2.8%	8.4%	18.7%	36.4%	33.6%	3.90	1.055
The Sacco evaluates the customer's repayment plan every time he or she applies for a loan.	5.6%	15%	19.6%	25.2%	34.6%	3.68	1.248
Not more than twice have some of the loan periods in the loan portfolio undergone restructuring.	5.6%	12.1%	25.2%	20.6%	36.4%	3.70	1.238
Overall Score						**3.7**	

From Table 3, The findings indicate that most respondents agreed that the Sacco constantly analyzes the credibility of loan applicants to establish suitable repayment conditions, as reflected in a high mean score of 3.93 and a standard deviation of 1.226. However, a notable proportion (28%) remained undecided, suggesting that some applicants may not fully understand the criteria used in determining their loan repayment periods. The high level of agreement (48.6%) indicates that credibility assessments are a significant factor in shaping repayment terms.

The results also show that loan repayment terms influence a client's willingness to repay a loan, with a mean of 3.36 and a standard deviation of 1.076. While a majority (34.6%) agreed with this statement, a considerable portion (30.8%) was undecided, and 15% disagreed. This suggests that while repayment terms play a role in motivating repayment, other factors may also contribute, such as financial stability or loan management policies.

Regarding the impact of risk levels on loan repayment periods, the study recorded a mean of 3.65 and a standard deviation of 1.206. A majority (36.4%) agreed, and 28% strongly agreed that higher-risk applicants tend to be assigned shorter repayment periods. However, a small but notable proportion (15.9%) disagreed, implying that some borrowers may not perceive a clear correlation between risk assessment and repayment periods.

The favorability of the grace period before loan repayment was rated highly, with a mean of 3.90 and a standard deviation of 1.055. A majority (36.4%) agreed, and 33.6% strongly agreed that the grace period was favorable, while only 2.8% strongly disagreed. This suggests that most respondents find the provided grace period reasonable and beneficial in managing their repayments.

The evaluation of customer repayment plans for each loan application received a mean of 3.68 and a standard deviation of 1.248. The results indicate that 34.6% strongly agreed and 25.2% agreed that the Sacco assesses repayment plans before loan approval. However, 19.6% remained undecided,

possibly indicating a lack of awareness or inconsistency in loan evaluation practices.

Lastly, the restructuring of loan periods in the loan portfolio received a mean score of 3.70 and a standard deviation of 1.238. Most respondents (36.4%) strongly agreed that loan restructuring has occurred no more than twice, while 25.2% were undecided. This implies that while restructuring is not common, it is an available option, although some members may not have encountered it.

Collection Effort

Collection effort variable was used in the second objective which sought to find out the effect of collection effort on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The results are presented in Table 2. The agreement ranged from 1 strongly disagree, 2-Disagree, 3-undecided, 4-agree and 5 strongly agree. SDV is the standard deviation.

Table 2: Collection effort

Statement	1	2	3	4	5	Mean	SDV
Credit department staff frequently sends reminders to clients.	12.1%	2.8%	21.5%	37.4%	26.2%	3.63	1.248
Credit department staff frequently sends reminders to debtors.	8.4%	11.2%	27.1%	24.3%	29%	3.54	1.254
Fines on loans granted to borrowers is essential in enhancing loan performance	5.6%	9.3%	31.8%	36.4%	16.8%	3.50	1.058
Staff incentives are effective in improving recovery of delinquent loans.	5.6%	12.1%	25.2%	43%	14%	3.48	1.058
Regular reviews have been done on collection policies to improve loan recovery.	5.6%	9.3%	15%	38.3%	31.8%	3.81	1.150
Penalties on loans is crucial for reducing the rate of defaulting by borrowers in DT-Saccos	9.3%	9.3%	16.8%	32.7%	31.8%	3.68	1.271
Overall mean						**3.61**	

The finding in Table 4, The findings indicate that the credit department frequently sends reminders to clients regarding loan repayments, with a mean score of 3.63 and a standard deviation of 1.248. The majority of respondents (37.4%) agreed, while 26.2% strongly agreed, confirming that regular reminders play a role in enhancing loan repayment. However, 21.5% remained undecided, and 12.1% strongly disagreed, suggesting that some clients may not perceive the reminders as frequent or effective.

Similarly, when asked about reminders specifically sent to debtors, the results showed a mean score of 3.54 and a standard deviation of 1.254. While 29% strongly agreed and 24.3% agreed, a significant portion (27.1%) was undecided, and 11.2% disagreed. This indicates that while reminders are a key strategy in debt collection, their effectiveness and consistency may vary across clients.

The role of fines on loans in enhancing loan performance was also analyzed, yielding a mean of 3.50 and a standard deviation of 1.058. The majority of respondents (36.4%) agreed that fines play a role in enforcing loan discipline, while 31.8% were undecided. This suggests that while some borrowers see fines as an effective deterrent against loan defaults, others may not fully recognize their impact on loan repayment.

Regarding staff incentives in improving the recovery of delinquent loans, the study recorded a mean of 3.48 and a standard deviation of 1.058. A majority

(43%) agreed that incentives motivate staff to enhance loan recovery, but 25.2% were undecided. This suggests that while incentives are generally viewed positively, their effectiveness may depend on how they are structured and implemented.

Regular reviews of collection policies to improve loan recovery received a high mean score of 3.81 and a standard deviation of 1.150. A majority (38.3%) agreed and 31.8% strongly agreed that policy reviews help in improving loan collection efforts. The low percentage of disagreement suggests that this practice is widely accepted as an effective measure for enhancing loan recovery.

The study also examined the role of penalties in reducing loan default rates, with a mean of 3.68 and a standard deviation of 1.271. A majority (32.7%) agreed and 31.8% strongly agreed that penalties help discourage defaults. However, 16.8% were undecided, implying that while penalties are considered useful, their effectiveness may depend on how they are enforced.

Loan collateral security

Loan collateral security variable was used in the third objective which sought to examine the influence of loan collateral security on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The results are presented in Table 3 in which percentage are presented outside brackets while frequency in the brackets. The agreement ranged from 1 strongly disagree, 2-Disagree, 3-undecided, 4-agree and 5 strongly agree. SDV is the standard deviation.

Table 3: Loan collateral security

Statement	1	2	3	4	5	Mean	SDV
DT Sacco attaches clients property to credit facility taken until it's repaid in full.	2.8%	14%	26.2%	42.1%	15%	3.52	1.003
DT Sacco equates the amount of loan given to the attached property	2.8%	11.2%	26.2%	39.3%	20.6%	3.64	1.022
Attachment of property has increased borrowers commitment in repayment of loans	2.8%	11.2%	23.4%	39.3%	23.4%	3.69	1.041
DT Sacco management decides on the type of property to be attached.	2.8%	8.4%	19.6%	37.4%	31.8%	3.87	1.047
Our DT Sacco has standard type of security requirements for different types of loans	2.8%	8.4%	17.8%	44.9%	26.2%	3.83	1.005
In terms of loan guarantees, the branch has rules, processes, and guidelines in place.	2.8%	5.6%	23.4%	39.3%	29%	3.86	0.995
Overall Mean						**3.74**	

From Table 5, The findings indicate that DT Saccos attach clients' property to credit facilities until full repayment is made, with a mean score of 3.52 and a standard deviation of 1.003. A significant portion (42.1%) agreed with this practice, while 15% strongly agreed, demonstrating that collateral attachment is a common practice. However, 26.2% were undecided, and 14% disagreed, suggesting that some clients may not fully understand or support the collateral requirements.

Regarding the equivalency of the loan amount to the attached property, the results show a mean score of 3.64 and a standard deviation of 1.022. The majority (39.3%) agreed and 20.6% strongly agreed, indicating that most respondents believe that Saccos ensure a fair valuation of collateral. However, 26.2% remained neutral, highlighting possible concerns or a lack of awareness about how the valuation process is conducted.

The study also explored whether the attachment of property increases borrowers' commitment to loan repayment, yielding a mean score of 3.69 and a standard deviation of 1.041. A total of 39.3% agreed and 23.4% strongly agreed, suggesting that collateral security serves as a strong incentive for timely repayment. Nevertheless, 23.4% remained

undecided, implying that while collateral encourages repayment for some borrowers, it may not be the sole determinant of loan performance.

The role of Sacco management in deciding the type of property to be attached was also analyzed, with a mean score of 3.87 and a standard deviation of 1.047. The majority (37.4%) agreed, and 31.8% strongly agreed, indicating that most respondents recognize the Sacco's authority in determining acceptable collateral. However, 19.6% remained neutral, possibly reflecting uncertainty or dissatisfaction with the decision-making process.

On whether Saccos have standard security requirements for different types of loans, the results showed a mean score of 3.83 and a standard deviation of 1.005. A significant proportion (44.9%) agreed, while 26.2% strongly agreed, affirming that most Saccos implement standardized collateral requirements. However, 17.8% were undecided, which could suggest that some borrowers perceive inconsistencies in collateral policies.

Finally, regarding the presence of rules, processes, and guidelines for loan guarantees, the mean score was 3.86 with a standard deviation of 0.995. Most respondents (39.3%) agreed, and 29% strongly agreed, confirming that Saccos have established guidelines for securing loans. The low percentage of disagreement indicates that these policies are generally accepted by borrowers.

Credit appraisal process

Credit appraisal process variable was used in the fourth objective which sought to determine the influence of credit appraisal process on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The results are presented in Table 4. The agreement ranged from 1 strongly disagree, 2-Disagree, 3-undecided, 4-agree and 5 strongly agree. SDV is the standard deviation.

Table 4: Credit appraisal process

Statement	1	2	3	4	5	Mean	SDV
DT Sacco operates within sound, well-defined credit appraisal process criteria	17.8%	5.6%	20.6%	34.6%	21.5%	3.36	1.363
DT Sacco has established overall credit limits both at individual borrowers and counterparties level	15%	2.8%	12.1%	33.6%	36.4%	3.74	1.376
DT Sacco has a clearly established process for approving new and re-financing of existing credits	17.8%	2.8%	17.8%	43%	18.7%	3.42	1.325
All extensions of credit are made on an arm's-length basis	17.8%	23.4%	39.3%	19.6%	100%	3.43	1.311
The capacity of members to repay the loan is weighed against the loan requested	12.1%	61.7%	11.2%	100%	0%	3.54	1.176
The character of members to repay the loan is weighed against the loan requested based on their lifestyle	24.3%	31.8%	26.2%	100%	0%	3.51	1.320
Overall mean						**3.5**	

The findings suggest that DT Saccos operate within a structured credit appraisal process, but with variations in perception among respondents. The statement on whether the Sacco operates within sound, well-defined credit appraisal criteria received a mean score of 3.36 and a standard deviation of 1.363. While 34.6% agreed and 21.5% strongly agreed, 20.6% were undecided, and a combined 23.4% disagreed, indicating a need for clarity and consistency in the appraisal process.

Regarding the establishment of credit limits at both individual borrower and counterparty levels, this received a mean score of 3.74 and a standard deviation of 1.376. The majority (36.4%) strongly agreed and 33.6% agreed, reflecting confidence in the existence of credit limits as a risk management strategy. However, 12.1% remained neutral, which suggests that some members may not be fully aware of how these limits are applied.

The presence of a clearly established process for approving new loans and refinancing existing credit was rated with a mean score of 3.42 and a standard deviation of 1.325. Most respondents (43%) agreed, and 18.7% strongly agreed, indicating that the process is largely recognized. However, 17.8% were neutral, while a combined 20.6% disagreed, highlighting potential inconsistencies or lack of awareness regarding loan approval procedures.

On whether all credit extensions are made on an arm's-length basis, meaning they are granted impartially, the statement had a mean of 3.43 and a standard deviation of 1.311. The largest portion (39.3%) remained neutral, while 19.6% agreed, and 17.8% strongly disagreed, suggesting mixed perceptions on fairness and objectivity in credit issuance.

The evaluation of members' capacity to repay loans in relation to the amount requested received a mean of 3.54 and a standard deviation of 1.176. While 61.7% disagreed, 12.1% strongly disagreed, and 11.2% were neutral, only 100% agreed, indicating concerns about how repayment ability is assessed. The lack of responses in the strongly agree category may imply a need for better assessment mechanisms.

Similarly, the consideration of a borrower's character, including lifestyle, in determining loan eligibility had a mean score of 3.51 and a standard deviation of 1.320. The results were fairly spread out, with 31.8% disagreeing and 24.3% strongly disagreeing, while 26.2% remained neutral. These findings suggest skepticism about how character evaluations are conducted or their fairness in credit decisions.

Financial performance

Financial performance variable was as dependent variable. The results are presented in Table 5. The agreement ranged from 1 strongly disagree, 2-Disagree, 3-undecided, 4-agree and 5 strongly agree. SDV is the standard deviation.

Table 5: Financial performance

	1	2	3	4	5	Mean	SDV
The SACCO effectively utilizes shareholders' equity to generate sustainable profits.	2.8%	15%	35.5%	34.6%	12.1%	3.38	0.978
The SACCO's ROE has shown consistent growth over the past three years.	2.8%	12.1%	26.2%	46.7%	12.1%	3.53	0.955
The SACCO efficiently manages its assets to maximize profitability.	2.8%	0%	11.2%	50.5%	35.5%	4.16	0.837
The SACCO's ROA is competitive compared to other similar SACCOs in the industry.	2.8%	2.8%	15%	36.4%	43%	4.14	0.966
Our SACCO has experienced significant growth in its customer base over the past three years.	8.4%	5.6%	9.3%	36.4%	40.2%	3.94	1.220
The SACCO is expanding its market share through innovative financial products and services.	9.3%	12.1%	25.2%	33.6%	19.6%	3.42	1.206
						3.76	

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The results indicate a moderate to strong financial performance of DT Saccos in Nairobi City County. The effectiveness of SACCOs in utilizing shareholders' equity to generate sustainable profits received a mean score of 3.38 and a standard deviation of 0.978. While 34.6% agreed and 12.1% strongly agreed, a notable 35.5% were undecided, suggesting some level of uncertainty among respondents about the efficiency of equity utilization.

Regarding the SACCOs' return on equity (ROE) growth over the past three years, the mean score was 3.53 with a standard deviation of 0.955. A majority (46.7%) agreed, and 12.1% strongly agreed, indicating a generally positive perception of ROE growth. However, the 26.2% who remained undecided highlight a need for clearer communication on financial performance indicators.

The efficiency in managing assets to maximize profitability was rated highly, with a mean of 4.16 and a standard deviation of 0.837. Most respondents (50.5%) agreed and 35.5% strongly agreed, showing strong confidence in asset management practices. The low disagreement levels further affirm that SACCOs are perceived to optimize their assets effectively.

Similarly, the competitiveness of SACCOs' return on assets (ROA) compared to industry peers received a high mean score of 4.14 and a standard deviation of 0.966. Most respondents (43%) strongly agreed and 36.4% agreed, reinforcing the perception that SACCOs perform well in terms of asset returns.

The growth in the customer base over the past three years had a mean of 3.94 and a standard deviation of 1.220. While 40.2% strongly agreed and 36.4% agreed, some respondents (9.3%) remained undecided, and 8.4% strongly disagreed. The relatively higher standard deviation suggests some variation in experiences among SACCOs.

Lastly, the expansion of market share through innovative financial products and services scored a mean of 3.42 with a standard deviation of 1.206. While 33.6% agreed and 19.6% strongly agreed, a notable 25.2% were undecided, and 12.1% disagreed, indicating mixed perceptions regarding innovation in financial products.

Inferential Statistics

The study undertook inferential statistics which comprise of simple and multiple linear regression analysis. The purpose of regression analysis was to test the study null hypotheses and therefore achieve study specific objectives. All hypotheses were test at significance level of 0.05

Testing of Regression Model Assumptions

Before conducting linear regression analysis, the study sought to find out if the assumptions of linear regression analysis have been met. This includes independence (Durbin Watson), Multicollinearity (VIF), Homoscedasticity (P-P plot), Normality (Histogram with superimposed normal curve) and linearity (Pearson correlation analysis).

Test for Independence

Test of independence was done by the use of Durbin-Watson. It tests that the residuals from a linear regression or multiple regression are independent. When Durbin-Watson factors are between (1) and (3) there is no autocorrelation problem (Alsaeed, 2005) from table 6 the Durbin Watson value is between 1.0 and 2.0 for all the study variables hence there was no problem of autocorrelation.

Table 6: Test for Independence

Std. Error of the Estimate	Durbin-Watson
.3756979	1.760

Test for Multicollinearity

Multicollinearity is a situation in which the predictor variables in a multiple regression analysis are themselves highly correlated making it difficult to determine the actual contribution of respective predictors to the variance in the dependent

variable. The multicollinearity assumption has a VIF threshold value of 10 maximum (Robinson et al, 2009). Variance inflation factor refers to a situation where two or more independent variables are highly correlated value > 0.9 (or effect of precision of independent variables) hence leading to multicollinearity. The VIF value in the table 7, are less than 10 so there is no multi-Collinearity problem in study variables.

Table 7: Multicollinearity Test

Variable	Tolerance	VIF
Loan repayment period	.775	1.290
Collection effort	.563	1.465
Loan collateral security	.478	2.091
Credit appraisal process	.558	1.793

Test for Linearity

Linearity was tested by use of Pearson Correlation analysis which computes both the linear and nonlinear components of a pair of variables. Linear regression analysis assumes there is linear relationship between independent and dependent variables. The linearity is as a result of significance level being less than 0.05 which was evident for all study variables. All linear relationships were significant at 0.01 (99.0% confidence level). The results are as shown in Table 8.

Table 8: Pearson Correlation Analysis

		CB	IP	TPV	FI
Loan repayment period	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	107			
Collection effort	Pearson Correlation	.296**	1		
	Sig. (2-tailed)	.000			
	N	107	107		
Loan collateral security	Pearson Correlation	.448**	.545**	1	
	Sig. (2-tailed)	.000	.000		
	N	107	107	107	
Credit appraisal process	Pearson Correlation	.404**	.454**	.642**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	107	107	107	107
Financial performance	Pearson Correlation	.511**	.563**	.658**	.669**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	107	107	107	107

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The findings revealed a significant positive relationship between the loan repayment period and financial performance (R=0.511, p=0.000). This suggests that a longer or appropriately structured loan repayment period contributes to better financial outcomes for SACCOs. The results support previous studies, such as those by Roslan and Karim (2019) and Kibrom (2020), which emphasized the importance of balancing loan repayment terms to ensure borrowers can meet their obligations without hindering their ability to access further credit. A repayment period that is too short may lead to defaults due to insufficient income generation, while one that is too long may prevent the institution from issuing new loans, thus slowing financial growth. These findings align with Akerele et al. (2020), who found that a suitable loan term is crucial for successful repayment.

The results also showed a positive and significant relationship between collection effort and financial performance (R=0.563, p=0.000). This finding underscores the importance of a rigorous and effective collection strategy in improving SACCOs' financial outcomes. Similar results have been reported by Dickerson (2024) and Mot et al. (2018), where a proactive collection approach was shown to reduce non-performing loans (NPLs) and enhance profitability.

The analysis also revealed a significant positive relationship between loan collateral security and financial performance (R=0.658, p=0.000). This result is consistent with Acquah and Addo (2021) and Chege (2020), who argued that collateral serves as a key mechanism for mitigating risk in lending. Collateral security reduces the risk of loan default, thereby protecting SACCOs' financial stability and performance. The study also supports the findings of Djankov et al. (2021), who emphasized that proper collateral management can ensure that financial institutions are able to recover funds in case of borrower default.

Finally, the results indicated a positive and significant relationship between the credit appraisal process and financial performance (R=0.669, p=0.000). This supports the findings of Iftikhar (2024) and Ntiamoah et al. (2020), who emphasized the importance of robust credit risk management practices, including thorough credit assessments, in ensuring that loans are extended to creditworthy individuals. A well-structured credit appraisal process ensures that borrowers are able to repay their loans, reducing the likelihood of defaults and boosting financial performance.

Simple Linear Regression Results

Linear regression analyses were used to test the null hypotheses used in this study. The study used two types of linear regression analysis, the simple linear regression analysis for each independent variable while multiple linear regression analysis was used to establish the regression coefficients using beta coefficients. The study used significance level of beta coefficients in multiple linear regressions to test null hypotheses. The R square was used to tell the amount of change in financial performance that is been accounted for by the independent variables. The significance level was at 0.05.

Influence of loan repayment period on financial performance

The first objective of the study was to establish the influence of loan repayment period on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. This was achieved by carrying out simple linear regression to establish the coefficient of determination (r^2) which explains changes in financial performance of Deposit Taking Saccos in Nairobi City County, Kenya that is been accounted for by loan repayment period. The results are as shown in Table 9.

Table 9: Regression Results of Loan repayment period and financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.511[a]	.261	.256	.5094377

a. Predictors: (Constant), Loan repayment period

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.498	1	12.498	48.157	.000[b]
	Residual	35.296	105	.260		
	Total	47.794	106			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Loan repayment period

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.667	.249		6.706	.000
Loan repayment period	.537	.077	.511	6.939	.000

a. Dependent Variable: Financial performance

From the Table 11, the value of R^2 is 0.261 shows that loan repayment period explains up to 26.1% of variance in financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. From the ANOVA results, the significance of the model has a value F (1,106) =48.157, P=0.000. This implies that loan repayment period is a useful predictor of financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The unstandardized regression coefficient value of loan repayment period is 0.537 and significance level of p=0.000. This indicated that a unit change in loan repayment period would result to significant change in financial performance by 0.537, P<0.05. Hence, there exists a positive and significant influence of loan repayment period on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The simple linear regression equation is as shown below

Financial performance(Y)=1.667+0.537(X_1) Loan repayment period

Influence of collection effort on financial performance

The second objective of the study was to find out the effect of collection effort on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The influence of collection effort on financial performance was achieved by undertaking a simple linear regression analysis to establish the coefficient of determination (r^2) which shows variation in financial performance of Deposit Taking Saccos in Nairobi City County, Kenya that can be explained by collection effort. The results are as shown in Table 10.

Table 10: Regression Results of Collection effort and Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.563[a]	.317	.312	.4898069

a. Predictors: (Constant), Collection effort

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.166	1	15.166	63.214	.000[b]
	Residual	32.628	105	.240		
	Total	47.794	106			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Collection effort

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.542	.233		6.615	.000
	Collection effort	.517	.065	.563	7.951	.000

a. Dependent Variable: Financial performance

From the Table 12, the value of R^2 is 0.317 reveals that up to 31.7% of change in financial performance of Deposit Taking Saccos in Nairobi City County, Kenya is accounted for by collection effort. From the ANOVA table, the significance of the model has a value F (1,106) =63.214, P=0.000. This postulates that collection effort is a significant predictor of financial performance of Deposit Taking Saccos in Nairobi City County, Kenya (P<0.05). The unstandardized regression coefficient value of collection effort is 0.517 and significance level of p=0.000. This implies that a unit change in collection effort would result to significant change in financial performance by 0.517 (P<0.05). Therefore, there exists a positive and significant influence of collection effort on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The simple linear regression equation is as shown below

Financial performance (Y)=1.542+0.517(X_2) Collection effort

Influence of loan collateral security on financial performance

The third objective of the study was to examine the influence of loan collateral security on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. This was achieved by carrying out simple linear regression to establish the coefficient of determination (r^2) which explains variations in financial performance of Deposit Taking Saccos in Nairobi City County, Kenya that is been explained by loan collateral security. The results are as shown in Table 11.

Table 11: Regression Results of Loan collateral security and financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.658[a]	.432	.428	.4466143

a. Predictors: (Constant), Loan collateral security

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	20.666	1	20.666	103.610	.000[b]
	Residual	27.127	105	.199		
	Total	47.794	106			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Loan collateral security

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.768	.162		10.940	.000
1 Loan collateral security	.490	.048	.658	10.179	.000

a. Dependent Variable: Financial performance

From the Table 13, the value of R^2 is 0.432 shows that loan collateral security explains up to 43.2% of variance in financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. From the ANOVA results, the significance of the model has a value F (1,106) =103.610, P=0.000. This implies that loan collateral security is a useful predictor of financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The unstandardized regression coefficient value of loan collateral security is 0.490 and significance level of p=0.000. This indicated that a unit change in loan collateral security would result to significant change in financial performance by 0.490 (P<0.05). Hence, there exists a positive and significant influence of loan collateral security on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The simple linear regression equation is as shown below

Financial performance (Y)=1.768+0.490 (X_3)Loan collateral security

Influence of credit appraisal process on financial performance

The fourth objective of the study was to determine the influence of credit appraisal process on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The influence of credit appraisal process on financial performance was achieved by undertaking a simple linear regression analysis thereby establish coefficient of determination (r^2) which shows variation in financial performance of Deposit Taking Saccos in Nairobi City County, Kenya that can be explained by credit appraisal process. The results are as shown in Table 12.

Table 12: Regression Results of Credit appraisal process and Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.669[a]	.447	.443	.4406999

a. Predictors: (Constant), Credit appraisal process

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	21.380	1	21.380	110.084	.000[b]
	Residual	26.413	105	.194		
	Total	47.794	106			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Credit appraisal process

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.599	.173		9.271	.000
	Credit appraisal process	.518	.049	.669	10.492	.000

a. Dependent Variable: Financial performance

From the Table 14, the value of R^2 is 0.447 reveals that up to 44.7% of change in financial performance of Deposit Taking Saccos in Nairobi City County, Kenya is accounted for by credit appraisal process. From the ANOVA results, the significance of the model has a value F (1,106) =110.084, P=0.000. This postulates that credit appraisal process are a significant predictor of financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The unstandardized regression coefficient value of credit appraisal process is 0.518 and significance level of p=0.000. This implies that a unit change in credit appraisal process would result to significant change in financial performance by 0.518 (P<0.05). Therefore, there exists a positive and significant influence of credit appraisal process on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The simple linear regression equation is as shown below

Financial performance (Y)=1.599+0.518 (X_4) Credit appraisal process

Multiple Regression Analysis

The general objective of this study was to investigate the influence of credit management practices on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. This was achieved by carrying out standard multiple regressions. The study was interested in knowing the influence of each of the credit management practices (loan repayment period, collection effort, loan collateral security & credit appraisal process) on financial performance when all these constructs were entered as a block on the model. The results of multiple linear regression analysis were presented in Table 13 which contained model summary (R, R^2, Adj R^2), ANOVA Table (goodness of fit; F Ratio, Sig Value) and regression coefficient (Unstandardized & standardized), t-value and Sig. value results.

Table 13: Multiple Regression Analysis

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.779[a]	.607	.595	.3756979

a. Predictors: (Constant), Credit appraisal process, Loan repayment period, Collection effort, Loan collateral security

b. Dependent Variable: Financial performance

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	29.021	4	7.255	51.401	.000[b]
	Residual	18.773	102	.141		
	Total	47.794	106			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Credit appraisal process, Loan repayment period, Collection effort, Loan collateral security

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.506	.227		2.230	.027
	Loan repayment period	.218	.065	.208	3.363	.001
	Collection effort	.207	.060	.226	3.435	.001
	Loan collateral security	.167	.059	.224	2.852	.005
	Credit appraisal process	.262	.056	.339	4.653	.000

a. Dependent Variable: Financial performance

The results from the model summary in Table 15 give us information on the overall summary of the model. The R square value indicates that credit management practices accounts for 60.7% significant variance in financial performance (R square =.607) implying that 39.3% of the variance in financial performance is accounted for by other variables not captured in this model. In order to assess the significance of the model, simply whether the study model is a better significant predictor of the financial performance, the study resorted to F statistic. From the findings, the F value is more than one, as indicated by a value of 51.401. The large F value is very unlikely to exist by chance (99.0%), thus implying that the final study model has significant improvement in it is prediction ability of financial performance of Deposit Taking Saccos in Nairobi City County, Kenya (F (4,106) = 51.401, P=0.000). Therefore, credit management practices are a significant predicator of financial performance.

Regression Coefficients

From the regression coefficient, the study utilized unstandardized regression coefficient in the formulation of study model. The study has an option of either using Unstandardized Coefficients or Standardized Coefficients depending on the type of data. The study used unstandardized coefficient column because we want to compare credit management practices influence across same measures (Likert Scale 1 through 5). A regression of the four predictor variables against financial performance established the multiple linear regression model as below as indicated in Table 4.15:

Financial performance =0.506 + $0.218X_1+0.207X_2+0.167X_3+0.262X_4$

Where;

X_1=Loan repayment period

X_2= Collection effort

X_3= Loan collateral security

X_4= Credit appraisal process

ε = the error of term

All factors had significant positive influence on the financial performance as shown by B coefficients. If the four factors are held at zero or it is absent, the financial performance would be 0.506, p=0.027.

Loan Repayment Period and Financial Performance

The results revealed that loan repayment period had significant positive influence on financial performance with B=.218 p=.001 implying that controlling of other variables (collection effort, loan collateral security and Credit appraisal process) in the model, a unit change in loan repayment period would result to significant change in financial performance by 0.218 units in the same direction (P<0.05). Therefore, therefore loan repayment period has significant positive influence of financial performance.

This finding suggests that a well-structured loan repayment period can positively impact SACCOs' financial outcomes, aligning with the studies conducted by Roslan and Karim (2019) and Kibrom (2020). Both studies emphasized the importance of finding a balanced repayment period—neither too short nor too long. Roslan and Karim (2019) highlighted that overly short repayment periods could leave borrowers unable to generate enough income to repay their loans, while longer periods might delay the disbursement of new loans, negatively affecting financial performance. Similarly, the study by Kibrom (2020) found that medium-length repayment terms provided borrowers with enough time to utilize their loans effectively, thereby enhancing repayment rates and improving the financial standing of lending institutions.

However, the results slightly contrast with Akerele et al. (2020), who found that loan length had a favorable impact on repayment performance. This difference could be attributed to variations in the context of the studies, with the current research being focused on SACCOs in Kenya and the previous study being conducted in Ogun State, Nigeria. Despite these contextual differences, the general consensus in the literature supports the notion that a balanced loan repayment term contributes positively to financial performance, as observed in this study.

Collection Effort and Financial Performance

The coefficient of collection effort was 0.207, which was significant (p=.001). When the variance explained by all other variables (loan repayment period, loan collateral security and credit appraisal process) in the model is controlled, a unit change in collection effort would result to change in financial performance by 0.207 units in the same direction. Therefore, there is adequate evidence to reject second null hypothesis since collection effort has significant influence on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya.

The collection effort variable also showed a significant positive impact on financial performance (B=0.207, p=0.001). The results indicate that effective collection efforts are crucial for maintaining financial health in SACCOs. This finding is supported by previous studies, including Dickerson (2024) and Mot et al. (2018), which found that diligent collection efforts led to lower non-performing loans (NPLs) and better financial outcomes. Dickerson (2024) emphasized that a well-designed collection policy, which includes frequent collections and timely payments, reduces the risk of loan default, while Mot et al. (2018) demonstrated a direct link between collection efforts and SACCO profitability. These studies suggest that strong collection policies can significantly mitigate risks associated with loan defaults, ultimately contributing to improved financial performance.

On the other hand, Pandley (2021) cautioned that aggressive collection practices should be handled with care, especially with long-term clients, as excessive pressure could lead borrowers to switch to competitors. Despite this caution, the current study's findings align with the broader literature, showing that collection efforts are positively associated with financial performance when managed appropriately.

Loan Collateral Security and Financial Performance

Loan collateral security also had significant positive influence on financial performance (B=.167, p=.005). When other variables in the model are controlled (collection effort, loan repayment period and Credit appraisal process), a unit change in loan collateral security would result to significant change in financial performance by 0.167 units in the same direction. From the study findings, the study rejected the third null hypothesis as loan collateral security had a significant positive influence of financial performance of Deposit Taking Saccos in Nairobi City County, Kenya.

This result is consistent with Acquah and Addo (2021), who identified collateral security as a significant predictor of loan repayment. Collateral serves as a safeguard for financial institutions, reducing the risk of loan default and ensuring that borrowers are more likely to repay loans. In Kenya, where microfinance institutions (MFIs) rely heavily on collateral security, similar results have been reported by Chege (2020) and Simiyu (2018), who found that institutions using collateral as a form of security saw better loan repayment rates and lower default rates. These findings suggest that loan collateral security remains a vital factor in minimizing risk and improving financial outcomes for SACCOs.

However, Djankov et al. (2021) observed that while collateral can mitigate risk, its effectiveness is largely dependent on the accurate valuation and management of assets. This nuanced understanding suggests that while collateral security is essential, SACCOs must ensure that the collateral is properly appraised and managed to realize its full potential in enhancing financial performance.

Credit Appraisal Process and Financial Performance

Credit appraisal process had also significant positive influence on the financial performance (B=0.262, p=.000 implying that when other variables in the model are controlled (collection effort, loan collateral security and loan repayment period), a unit change in credit appraisal process would result to significant change in financial performance by 0.262 units in the same direction. Basing on the findings, the study rejected the fourth null hypothesis as P<0.05. This implies that credit appraisal process have a significant positive influence on the financial performance. Increase in credit appraisal process would results to increase in financial performance.

This finding underscores the importance of a robust credit assessment process in ensuring that loans are given to creditworthy borrowers. The results are in line with the studies of Iftikhar (2024) and Ntiamoah et al. (2020), which highlighted that comprehensive credit risk management, including detailed credit assessments, leads to better financial outcomes for financial institutions. The credit appraisal process ensures that only viable borrowers receive loans, thereby reducing the risk of defaults and improving loan recovery.

The current study's findings support the idea that strengthening the credit appraisal process contributes directly to SACCOs' profitability and financial performance, echoing the conclusions drawn by Amunabi and Koori (2018) and Elizabeth et al. (2019). However, the study by Bosek (2024) on SACCOs in Bomet County suggested that credit assessment procedures alone do not guarantee improved loan performance unless they are accompanied by other management measures, such as effective loan monitoring and collection.

CONCLUSIONS AND RECOMMENDATIONS

The findings indicated that loan repayment period has significant influence on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. Therefore, the study concluded that loan repayment period influences financial performance. SACCOs assessed borrowers' credibility to determine repayment terms, and risk levels influence repayment duration. A favorable grace period enhances borrowers' willingness to repay, though loan restructuring is rare. The study, therefore, concludes that a well-structured loan

repayment period plays a critical role in ensuring financial stability and sustainability for SACCOs.

The findings indicated that collection effort has significant influence on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The study establishes that collection efforts, including reminders, penalties, and staff incentives, play a crucial role in ensuring loan repayment and financial performance in Deposit Taking SACCOs. Regular enforcement of collection policies reduces loan defaults, though perceptions on the effectiveness of penalties and fines vary.

The findings also revealed that loan collateral security has significant influence on financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. Therefore, the study failed to accept the third null hypothesis as loan collateral security influence financial performance. The study reveals that loan collateral security is a fundamental factor influencing financial performance in Deposit Taking SACCOs. The requirement for collateral increases borrowers' commitment and mitigates credit risk, ensuring loans are backed by assets of fair value. The study concludes that clear collateral policies and fair valuation processes can enhance borrower confidence and improve financial performance in SACCOs.

Lastly, the study concluded that credit appraisal process has significant influence on the financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The fourth hypothesis was therefore rejected. SACCOs have structured appraisal criteria and credit limits. The findings indicate that an effective credit appraisal process is essential for ensuring financial performance in Deposit Taking SACCOs. Structured credit appraisal methods, including credit limits and loan approval guidelines, help in evaluating borrowers' repayment capacity.

Based on the findings and conclusions, the study recommends that SACCOs implement strategic measures to enhance financial performance. Firstly, SACCOs should refine their loan repayment policies by adopting flexible repayment terms that accommodate borrowers' financial capabilities while maintaining strict risk assessment frameworks. Improving transparency in loan structuring and providing clear communication on repayment conditions will help borrowers make informed decisions, ultimately enhancing loan recovery rates and financial stability.

Secondly, SACCOs should strengthen their loan collection efforts by adopting proactive collection strategies such as personalized reminders, flexible penalties, and targeted staff incentives. These measures should be complemented by regular policy reviews and borrower education to ensure members understand their repayment obligations. Additionally, SACCOs should explore innovative debt recovery mechanisms to minimize defaults while maintaining positive borrower relationships.

Thirdly, SACCOs should establish standardized and transparent loan collateral policies to improve borrower confidence and enhance financial performance. Ensuring fair asset valuation and clear communication on acceptable collateral types will mitigate risks associated with credit default. Additionally, SACCOs should provide adequate borrower education on the importance of collateral security, ensuring members understand its role in loan management and financial sustainability.

Lastly, SACCOs should enhance their credit appraisal processes by implementing clear, standardized, and transparent evaluation criteria. Improving communication regarding credit approval procedures and ensuring fair assessments will foster borrower trust and enhance loan performance. SACCOs should also invest in technology-driven credit assessment tools to improve efficiency and minimize inconsistencies in loan approvals. Strengthening the credit appraisal process will enable SACCOs to effectively manage credit risk and improve overall financial performance.

Areas for Further Research

The study sought to establish influence of credit management practices on the financial performance of Deposit Taking Saccos in Nairobi City County, Kenya. The study limited itself to Nairobi City County; however, there is need for further studies to consider other counties in Kenya.

The study did not consider moderating effect of firm size since Saccos are grouped according to tiers, therefore, further studies should consider incorporating Saccos as moderating to establish its influence on the relationship between credit management practices and financial performance.

The study relied on primary data; therefore, further studies should consider using both primary and secondary data, or use secondary data alone for the purpose of comparative analysis.

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