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Effect of Savings Impediments on the Performance of Selected Saccos in Nairobi County, Kenya

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Abstract

Purpose: This study sought to assess savings impediments on performance of select SACCOs in Nairobi County, Kenya. The objectives were to examine the effects of income level on savings impediments on performance of SACCOs; to analyse the effect of interest rate on Performance of SACCOs; and to examine the influence of credit mechanisms on Performance of SACCOs in Nairobi County, Kenya.

Methodology: The study was guided by a cross-sectional research design with the target population comprising of officials of five selected SACCOs. A sample size of 72 respondents was drawn from the target population. The results show that income level significantly affects the performance of SACCOs ($p<0.05$).

Results: Results between interest rate and performance of SACCOs show that interest rate had a negative and significant influence on the performance of SACCOs ($p<0.05$). Finally, the results show that credit mechanisms had a positive and significant effect on the performance of SACCOs ($p<0.05$).

Conclusion: The study concluded that income level, interest rate, and credit mechanisms had a significant impact on SACCO performance in Nairobi County. The study recommends that the SACCOs should ensure that target mechanisms should be put in place to attract members with diverse incomes. SACCOs should establish clear policies and procedures for managing interest rate risk within the SACCOs. SACCOs should ensure compliance with regulatory requirements governing credit operations.

Keywords: *Savings impediments, income level, interest rate, credit mechanisms, performance of Selected Saccos*

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1.0 Introduction

Saving is a process of setting aside a portion of current income for future use, or the flow of resources accumulated in this way over a given period (Dunleavey, 2023). Saving may take the form of increases in bank deposits, purchases of securities, or increased cash holdings. The extent to which individuals save is affected by their preferences for future over present consumption, their expectations of future income, and to some extent by the rate of interest (Dunleavey, 2023).

Globally, the coronavirus (COVID-19) pandemic has led to the accumulation of a large stock of household savings across advanced economies, significantly above what has historically

been observed. In 2020, the stock of household savings accumulated across five large advanced economies· In excess of historical values amounted to an average of 6.7 % of GDP and 9.5% of disposable income. Of these countries, the United States held the largest stock at the end of 2020 (USD 1.5 trillion, or 7.2% of US GDP), but other countries also held sizeable amounts of excess savings. The stock of excess savings accumulated between early 2020 and the end of the year is estimated by calculating the cumulative difference between real savings and a counterfactual scenario where the saving ratio is assumed to have remained equal to the pre-pandemic average throughout the year. Similarly, our central scenario assumes that, up to the end of 2023, the stock of excess savings remains close to the level observed before the start of 2021, while the saving ratio is assumed to converge back to the pre-pandemic average (Ana -Simona, 2021).

Owing to their large size, the savings accumulated since early 2020 have the potential to shape the post-pandemic recovery. In contrast to previous economic recessions, the containment measures adopted in response to COVID-19 saw a significant suppression of consumer spending opportunities, leading to a sizeable contraction in private consumption (Ana -Simona, 2021).

The central question is whether households will spend heavily once pandemic-related restrictions are lifted and consumer confidence returns, or whether other motives (like precautionary, deleveraging) will keep households from spending their accumulated excess savings. In this box, we consider a set of non-euro area economies and conclude that, on the balance of economic arguments, any reduction in the stock of excess savings as a result of higher consumption is likely to be limited in the medium term. However, given the considerable uncertainty surrounding this central scenario, this box also looks at two alternative savings scenarios and assesses their implications for the global economic outlook using the Oxford Global Economic Model (Ana -Simona, 2021).

In Africa, there is significant heterogeneity across countries, with savings notably low in fragile states and volatile in economies subject to exogenous shocks, such as natural disasters or commodity price fluctuations. In the meantime, the emergence of COVID-19 in late 2019 led to harmful economic impacts in the region which could have also affected the accumulation of private savings. The macroeconomic context in SSA even before COVID-19 had already created many challenges for savings build-up, including the high debt levels in several economies (Selassie, 2018); fast population growth rates; and elevated uncertainty on the external environment, including for commodity prices (Gruss, Nabar, & Poplawski-Ribeiro, 2020).

Formal financial products have grown in recent years—through the gradual development of banking and capital markets in SSA and the rise of digital financial services and inclusion—a large share of the population (close to 46 percent) is still not able to save at all and less than a third of the existent savers in 2017, for example, has done it through formal financial institutions (Dezso, Robinson, and Singh, 2018). Against this backdrop, this paper has two main objectives and contributions to the literature. First, it reexamines the main determinants of private savings in the SSA region and compares them with other world regions. Second, to the best of our knowledge, this is the first paper to investigate the impact of COVID-19 (and the associated preventive measures) on private savings in SSA. Regarding this latter objective, so far, the studies and surveys on SSA (IMF, 2020 and 2021a; Miguel and Mushfiq Mobarak, 2021) have focused on the impact of COVID-19 on other economic variables, such as growth and poverty, but not on private savings (Nembot, 2022).

Kenya has remained range-bound between the years 2006 and 2021, with a gross savings rate of 13.3% in December 2021. Compared to the global saving rate, which is approximately 24.0%, this rate is substantially lower (Karimi, 2022). Domestic saving in developing countries remains relatively low compared to the developed world despite its huge significance as a growth and investment stimulant. Recent evidence from Word Bank Development Indicators reveals a decline in the Gross Domestic Savings as a percentage of GDP from 9 percent in 2008 to 5.32 percent in 2018. Kenya's 2019 FinAccess household survey affirms that households account for a sizeable share of the gross national savings. Although 55 percent of the total adult population holds at least one formal saving account, gender and geographical disparities in formal saving persist averaging 10 percent and 23 percent, respectively. Viewed against the backdrop of low saving rates and the growing need to enhance saving mobilization to finance Kenya's overall investment needs (Mwangi, 2020).

1.1 Problem Statement

Kenya had historically been identified as having one of the lowest savings rates in the area. Saving deposits have dropped from 444,777 million in 2015 to 350,802 million in 2018, according to the 2020 economic survey (Kenya National Bureau of Statistics, 2020). Only 0.7 percent of Kenyan bank accounts have balances of more than Sh1 million, while 99.3 percent have savings of less than Sh1 million. According to the Census and Economic Information Center (CEIC), Kenya's Gross Savings Rate fell from 11.7 percent in December 2007 to 6.1 percent in December 2018. (2019). The World Bank (2020) estimates gross domestic savings at 5.3 percent of GDP.

Despite possessing a huge network of SACCO businesses, statistics show that personal and household savings rates are low. Kenya is frequently referred to as a country with a poor savings culture. The majority of Kenyans do not have a savings culture and live each day as it comes due to income inadequacy, conflicting demands of money, hard economic times, and lack of support from financial institutions. According to Wamuyu (2016), 41% of Kenyans do not save regularly because they cannot afford to save for a rainy day. Kenyans save barely 12% of their salaries on average, according to the Ministry of Finance (2017), which is insufficient to support any meaningful investment in any sector of the economy. The mobilization of savings data in deposit-taking SACCOs demonstrates that, despite the management of SACCOs increasing the interest rate on dividends and savings, saving growth is slowing. According to the SASRA (2018) report, average dividends and interest on SACCO savings deposits climbed from 7.65 percent in 2017 to 8.25 percent in 2018. The rate of growth in total deposits has been going down from 14.8% in 2015 to 11.99% in 2018 .2018/2019 growth rate dropped to 11.27%, (SASRA, 2016, 2017, and 2019).

The study by Karoki (2022), focused on management practices and savings levels among members of deposit-taking savings and credit cooperative societies. The study (Sing'ombe, 2022), assessed Credit Management Practices and Financial performance of Deposit taking Saccos in Kericho County, Kenya. No known studies have specifically addressed the effect of savings impediments on the performance of Saccos in Kenya. It is against this background that this research intends to harness the knowledge aperture and traverse the savings impediments on the performance of Saccos in Nairobi County.

1.2 Research objectives

i. To determine the effects of income level on savings impediments on Sacco's performance in Nairobi County, Kenya.

ii. To establish the effects of interest rate on savings impediments on Sacco's performance in Nairobi County, Kenya.

iii. To examine the influence of credit mechanism on savings impediments on Sacco's performance in Nairobi County, Kenya.

2.0 Literature Review

2.1 Income level and performance of Sacco

The amount of money, assets, and other transfers of value received over a predetermined period in return for goods or services is often referred to as "income." The majority of people define income as their entire earnings, which include their salaries and wages as well as investment returns, pension payouts, and other receipts. According to Scott (2023), income for businesses refers to the proceeds from the sale of goods and services as well as any interest or dividends received in relation to their business-related cash accounts and reserves. Income level means the total, combined income, from any source whatsoever, of the owner and/or all occupiers of a property, as determined according to national policy and guidelines and reflected in the Council's Tariffs for Indigents.

Income level means the total, combined income, from any source whatsoever, of the owner and/or all occupiers of a property, as determined according to national policy and guidelines and reflected in the Council's Tariffs for Indigents. On the other hand, Saccos' performance is measured on the ability to sweat their assets to generate returns for members, paid annually as dividends and interest (Guguyu, 2022). In Friedman's income hypothesis model, actual wealth, not current real disposable income, predicts spending. Assets (stocks, bonds, and real estate) and human capital determine long-term income (education and experience). These variables affect the client's ability to earn money. After that, the consumer can estimate their predicted lifetime profits (Karoki, 2022).

It is possible that an employee's spending in advance of a bonus could alter if they are aware that they will probably receive an income bonus after a specific pay period. This is because they may be looking forward to the extra money. But it's also feasible that employees decide against raising their expenditure due to a one-time lucky break. Instead, in light of the anticipated rise in income, they might try to save more money (Eric, 2020). Therefore, the performance of Saccos throughout the nation is significantly impacted by income level.

2.2 Interest Rate and Performance of SACCOs

As indicated by Keynes, interest is the prize for not storing yet or leaving behind liquidity for a particular period. Keynes' meaning of loan cost zeros is more on the loaning rate. Adebiyi (2001) characterizes loan fees as the return or yield on value or opportunity cost of conceding current utilization into what's to come. A few instances of financing cost incorporate the saving rate, loaning rate, and markdown rate. Jhingan (2003) characterizes revenue as the cost that likens the stock of 'Credit' or reserve funds in addition to the net expansion in how much cash in the period, to the interest for credit or speculation in addition to net 'accumulating' in the period. This definition suggests that a financing cost is the cost of credit which like others still up in the air by the powers of interest and supply; for this situation, the interest and supply of loanable assets (Orbunde, Lambe, and Anyanwu, 2021).

Financing cost is a key macroeconomic element that can represent a positive or negative danger to the presentation of a firm (World Bank Gathering, 2015). Other macroeconomic variables incorporate the purchaser cost file, expansion rate, joblessness, total national output (Gross

domestic product), financial exchange list, and corporate assessment rate (Orbunde, Lambe, and Anyanwu, 2021).

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2.3 Credit Mechanism and Performance of Sacco

The methods used to obtain and manage credit payments from customers are known as credit management techniques. These techniques are those that companies employ to maintain an appropriate level of credit and to efficiently manage it, according to Myers and Berkley (2013). It is a component of financial management, which also includes credit analysis, reporting, rating, and classification. The capital with debtors decreases and the likelihood of bad debts decreases when credit management is done correctly. According to Edwards (2013), if you are a firm and you haven't included late payment costs in your selling price or have a mechanism to recoup the expenses through interest charges, then these costs will inevitably have an impact on your profitability. Some businesses are motivated to extend credit when they consider the potential for expanded operations. To prevent losses, however, companies need to be certain that the increased sales would generate more income than the cost of credit (Kipkirui, 2018).

Credit management is a fundamental cycle for any firm that participates occupied with credit. The cycle when done correctly guarantees that the client pays on administrations conveyed. As per Myers and Berkley (2013) credit management rehearses are the methodologies utilized by an association to guarantee that the degree of credit in the firm is satisfactory and it is overseen successfully. A piece of financial management contains the investigation of credit, rating of credit, order, and revealing of credit. Nelson (2012) characterizes acknowledge management as the practices utilized by an association to deal with the deals they make on layaway. It is a fundamental practice for every one of the associations that have credit exchanges since some have dealt with their credit exercises so well that they have zero credit risk.

Credit management is the technique one uses to gather and control credit installments from clients. Myers and Berkley (2013) characterize these practices as the procedures that associations use to have a satisfactory degree of credit and to deal with this level. A piece of financial management contains the examination of credit, rating of credit, characterization, and detailing of credit. At the point when credit to the executives is done well, then, at that point, the capital with debt holders diminishes and the chance of terrible obligations is additionally decreased. Edwards (2013) battles that if you are a business and you have excluded into your selling value any expenses related to late installment or you have an approach to recuperating the expenses by charging an interest, then your benefits will undoubtedly be impacted by such expenses. A few firms are enticed to give credit when they consider the chance of expanded business tasks. Nonetheless, organizations must be sure that there will be additional income from the high deals that will offset the expense of credit to keep away from misfortunes (Kipkirui, 2018).

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3.0 Methodology

The study adopted a cross-sectional research design. In a cross-sectional study, the researcher simultaneously assesses the study participants' exposures and outcomes. The study targeted 90 management and directors of selected Saccos in Nairobi County. These included Harambee Sacco, Hazina Sacco, Dessaco Sacco, Police Sacco and Stima Sacco. The selected SACCOs represent other SACCOs in the country because their saving impediment is the same. Slovin's formula was used in this investigation to generate a sample size of 72 respondents, who were selected using simple random sampling. Primary data was collected using questionnaires. Descriptive statistics like mean, standard deviation, frequency counts, and percentages were used to examine the data. Regression analysis was carried out to determine the relationship between the study variables.

4.0 Results and Discussion

4.1 Income Level and Performance of SACCOs

4.1.1 Descriptive statistics on the effect of income level and performance of SACCOs

The study sought to find out how respondents perceived the relationship between income level and Sacco performance in Nairobi County. Numerous descriptive statistics, such as the frequency distributions, means, and standard deviations of the numerous outcomes and statements are shown in Table 1. The respondents' differing opinions on the various claims regarding the impact of income level on Sacco's performance led to the frequency distributions. The scores for these were 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, and 5 = highly agree. 5.0% and 10.0% of respondents, respectively, strongly disagreed and disagreed when asked if Sacco had improved their income level. 18.3% said they were unsure. As shown in Table 4.4, the statement was agreed to by 43.3% and strongly agreed by 23.3%.

On the question regarding whether the SACCO provides beneficial loan products for its members, more than half of the respondents that is 83.3% agreed and strongly agreed. 10.0% of the respondents remained neutral while 6.7% strongly disagreed. When asked if the organizations' benefits and perks are competitive compared to other organizations, 33.3% and 40.0% in totality agreed, and 13.3% of the respondents neither agreed nor disagreed. 6.7% and 6.7% disagreed and strongly disagreed respectively.

On whether the organization communicates its financial status to its members often, 1.7% and 13.3% in totality disagreed. 8.3% remained neutral and 41.7 and 35.0% agreed and strongly agreed respectively. Finally, when asked whether, Overall, I am satisfied with the financial services provided by the SACCO, 3.4% disagreed in totality. 11.7% remained neutral and 36.7 and 48.3% agreed and strongly agreed respectively.

The study also looked at respondents' perceptions of how income level affected Sacco's performance. The income level matrix's mean scores for the various statements were produced. The standard deviations of the response distribution around the mean, which indicate the degree of agreement on each statement, were also analyzed. When the mean scores fell between 3.0 and 3.49, there was a strong propensity to disagree, and when the mean scores fell between 3.50 and 4.50, there was a tendency to agree. There was disagreement when interpreting standard deviations of one or more, moderate agreement when interpreting standard deviations between 0.50 and 0.99, and high agreement when interpreting standard deviations between 0 and 0.49. The mean scores and standard deviations were 3.70 and 1.094 for the Sacco in terms of helping improve income level, 4.30 and 1.109 for the SACCO provides beneficial loan products for its members, 4.28 and 0.865 for satisfaction on the financial services provided by

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the SACCO had a mean score of 3.93 and standard deviation of 1.191 for the organizations benefit and perks are competitive compared to other organizations. Finally, 3.95 and 1.064 for the organization communicates its financial status to its members often.

Table 1: Descriptive statistics for Income level and SACCO performance

	1	2	3	4	5	Mean	Std Dev
	%						
The SACCO has helped improve my income level	3 5.0%	6 10%	11 18.3%	26 43.3%	14 23.3%	3.70	1.094
The SACCO provides beneficial loan products for its members	6.7%	0.0%	10.0%	23.3%	60.0%	4.30	1.109
The organizations benefit and perks are competitive compared to other organizations	6.7%	6.7%	13.3%	33.3%	40.0%	3.93	1.191
The organization communicates its financial status to its members often	1.7%	13.3%	8.3%	41.7%	35.0%	3.95	1.064
Overall, I am satisfied with the financial services provided by the SACCO	1.7%	1.7%	11.7%	36.7%	48.3%	4.28	0.865

4.1.2 Correlation analysis Income level and performance of SACCOs

Table 2 presents the correlation analysis results that were carried out between performance of SACCOs and the Income level of the respondents. It shows that there existed a statistically significant and positive linear association between income level and performance of the selected SACCOS ($r=0.325$, $p<0.05$).

Table 2: Correlation analysis of Income level and performance of SACCOs

	Financial Performance	Exchange Rate
Performance of SACCOs	1	
Income Level	.325**	1
	.000	

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

4.1.3 Regression analysis of Income level and performance of SACCOs

The ANOVA was utilized to determine if the income level, affects the performance of SACCOs in Nairobi County. In this case, the p-value was utilized to ascertain this, with a p-value less than 0.05 ($p<0.05$) serving as the minimal need for the model's dependability. Table 3 presents the findings. The results show that income level significantly affects the performance of SACCOs ($p<0.000$).

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Table 3: ANOVA of Income Level and Performance of SACCOs

ANOVA[a]

Model		Sum of squares	Df	Mean Square	F	Sig
1.	Regression	22.989	3	7.663	33.640	.000[b]
	Residue	12.757	56	.228		
	Total	35.746	59			

a. Dependent Variable: Performance of SACCOs

b. Predictors: Income Level

Regression analysis was conducted to explore the relationship between income level and performance of SACCOs. The results in Table 4 show that income level significantly influences performance of SACCOs. The findings indicate that income level has a significant but modest impact on the performance of SACCOs. The results show that while income level does explain some of the variability in the performance of SACCOs, the relatively low R-square value suggests that other factors besides income level play a role in explaining variations in the performance of SACCOS.

Table 4: Regression analysis for Income level and Performance of SACCOs

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	202.038	1	202.038	13.567	.000[b]
Residual	5539.686	372	14.892		
Total	**5741.725**	**373**			

a. Dependent Variable: Investment Decisions
b. Predictors: (Constant), Income level

4.2 Interest Rate and Performance of SACCOs

4.2.1 Descriptive Statistics of Interest Rate and Performance of SACCOs

In this case, the purpose of the study was to find out how much the respondents knew about how interest rate decisions affected Sacco's performance in Nairobi County. Numerous descriptive statistics, such as the frequency distributions, means, and standard deviations of the numerous findings and claims shown in Table 5, were used to establish this. The frequency distributions of various views of the respondents on the different statements concerning the effect of interest rate decisions on Sacco's performance. The opinions of the respondents were ranked as follows: 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, and 5 = strongly agree. 90% of respondents expressed overall greed when asked if the company informs clients about the current interest rate on its goods and services. 3.3% disagreed, while 6.7% stayed indifferent.

Responses show satisfactory interest rates on savings and deposits, 3.4% disagreed totally, 10.0% neither agreed nor disagreed and 53.3% and 33.3% agreed and strongly agreed respectively. On whether my Organisation has altered financial behavior in response to changes in interest rate, 11.7% and 6.7% strongly disagreed and disagreed respectively. 23.3% remained neutral, and 58.3% in totality agreed that organizations alter financial behaviour to changes in interest rates. When asked with regards to whether the Organisation has various interest rate structures that are preferable, 50.0% and 36.7% agreed and strongly agreed respectively. 8.3%

maintained the neutrality status while 3.3% and 1.7% disagreed in totality. Finally, when asked whether the organization speaks out about Changes in interest rates to its clientele, 1.7% and 5.0% strongly disagreed and disagreed, 10.0 neither agreed nor disagreed, and 38.3% and 45.0% in totality agreed.

The average respondents' assessment of how interest rate decisions affect Sacco's performance was also assessed in the survey. The interest rate matrix mean scores for the various propositions were generated. There was a substantial tendency to disagree when the mean scores fell between 3.0 and 3.49, and a tendency to agree when the mean scores fell between 3.50 and 4.50. When the standard deviations were interpreted, there was dissimilarity for standard deviations of 1 and above but moderate and high unanimity for those between 0 and 0.99. Only one statement in the interest rate matrix had a mean of 3.53, the remaining statements had a mean above 4.0, indicating a high degree of agreement. Regarding standard deviation, there was low disagreement amongst respondents for one statement and high consensus for four statements with a standard deviation that was less than one (1).

Table 5: Descriptive statistics for Interest Rate and performance of SACCOs

	1	2	3	4	5	Mean	Std Dev
	%						
The Organisation informs its customers on current interest rate on its products and services	0.0%	3.3%	6.7%	31.7%	58.3%	4.45	0.769
The Organisation provides satisfactory interest rate on savings and deposits	1.7%	1.7%	10.0%	53.3%	33.3%	4.15	0.799
My Organisation has altered financial behavior in responses to changes in interest rate	11.7%	6.7%	23.3%	33.3%	25.0%	3.53	1.268
The Organisation has various interest rate structures that are preferable	3.3%	1.7%	8.3%	50.0%	36.7%	4.15	0.899
The organization speaks out Changes in interest rates to its clientele	1.7%	5.0%	10.0%	38.3%	45.0%	4.20	0.935

4.2.2 Correlation Analysis of Interest Rate and Performance of SACCOs

Table 6 presents the correlation analysis results between interest rates and performance of SACCOs. It shows that there existed a statistically significant and negative linear association between interest rate and performance of SACCOs ($r=-0.306$, $p<0.05$). This indicates that interest rate had an association with the performance of SACCOs.

Table 6: Correlation Analysis of Interest Rate and Performance of SACCOs

	Performance of SACCOs	Interest Rate
Performance of SACCOs	1	
Interest Rate	.-306**	1
	.000	

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

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4.2.3 Regression Analysis of Interest Rate and Performance of SACCOs

Table 7 presents the model summary results for the regression analysis between interest rate and performance of SACCOs. It shows that 9.4% of the variation in the performance of SACCOs was attributed to interest rates (R^2=0.094).

Table 7: Model Summary Between Interest Rate and Performance of SACCOs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.306[a]	.094	.090	.733

a. Predictors: (Constant), Interest Rate

Table 8 presents the ANOVA results for interest rate and performance of SACCOs. It shows that there existed a significant statistical relationship between interest rate and performance of SACCOs (F (1,234) = 24.124, p<.05). The calculated critical F-value (24.124) was greater than the calculated F-value (12.947), indicating that interest rate significantly predicted the performance of SACCOs.

Table 8: ANOVA between Interest rate and Performance of SACCOs

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.947	1	12.947	24.124	.000[b]
	Residual	125.047	233	.537		
	Total	137.994	234			

a. Predictors: (Constant), Interest rate

b. Dependent Variable: Performance of SACCOs

Table 9 presents the regression coefficients of the regression analysis between interest rate and performance of SACCOs. The findings show that interest rates had a negative and significant influence on the performance of SACCOs (t (235) = -4.912, p<0.05). These results further indicate that a unit improvement in interest rate would result in a decrease in the performance of SACCOs by 25.9% (β=-0.259, t (235) = -4.912, p<0.05).

Table 9: Regression Coefficients between Interest Rate and Performance of SACCOs

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.940	.135		36.674	.000
	Interest Rate	-.259	.053	-.306	-4.912	.000

a. Dependent Variable: Performance of SACCOs

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4.3 Credit Mechanism and Performance of SACCOs

4.3.1 Descriptive Statistic of Credit Mechanism and Performance SACCOs

The purpose was to ascertain how aware the respondents were of how the credit mechanisms affected Sacco's performance in Nairobi County. A variety of descriptive statistics, such as the frequency distributions, means, and standard deviations of the various outcomes and statements shown in Table 10, were used to ascertain this. The frequency distributions of the respondents' varied points of view about the statements about how the credit mechanism affects Sacco's performance. The opinions of the respondents were ranked as follows: 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, and 5 = strongly agree.

When asked whether the Organization's credit application requirements and documentation are clear and understandable, 1.7% of the respondents strongly disagreed. 3.3% disagreed, 6.7% remained neutral and 35.0% and 53.3% agreed in totality. Responses regarding whether the Organization's credit approval decisions are transparent, 91.6% of the respondents holistically agreed, 1.7% remained neutral and 6.6% disagreed fully. On whether our organization's credit terms and interest rates are fair and competitive. 85.0% of the respondents agreed and strongly agreed respectively, 11.7% neither agreed nor disagreed and 3.3% strongly disagreed. About the Organization's customer support team being responsive in addressing credit-related inquiries, 6.7% strongly disagreed, 8.3% were neutral, 46.7 and 38.3% agreed in totality.

The concentrate likewise surveyed the normal view of the respondents on the impact of credit instruments on Sacco execution. The mean scores for the various assertions using a loan component network were produced. The circulation of the reactions around the mean was additionally assessed with the standard deviations showing the degree of settlement on every explanation. The mean scores were deciphered areas of strength for as to differ for mean scores somewhere in the range of 3.49 and 3.99 and propensity to concur for mean scores of somewhere in the range of 4.0 and 4.50. The standard deviations were deciphered and there was no agreement for standard deviations of 1 or more, moderate and high agreement for standard deviations somewhere in the range of 0 and 0.99.

All the statements had a mean above 4.0, indicating a high degree of agreement among the respondents. Regarding standard deviation, there was high disagreement (standard deviations above 1) amongst respondents for one statement and high consensus for the remaining statements.

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Table 10: Descriptive statistics for Credit mechanism and performance of SACCOs

	1	2	3	4	5	Mean	Std Dev
	%						
The Organization's credit application requirements and documentation are clear and understandable	1.7%	3.3%	6.7%	35.0%	53.3%	4.35	0.880
The Organization's credit approval decisions are transparent	3.3%	3.3%	1.7%	28.3%	63.3%	4.45	0.946
Our organization credit terms and interest rates are fair and competitive.	3.3%	0.0%	11.7%	35.0%	50.0%	4.28	0.922
The Organization's customer support the team is responsive in addressing credit-related inquiries	6.7%	0.0%	8.3%	46.7%	38.3%	4.10	1.037

4.3.2 Correlation for Credit Mechanisms and Performance of SACCOs

To gauge the degree of correlation between the independent variable and the dependent variable Pearson's Correlation was employed. The analysis as summarized in Table 11 shows a strong positive correlation between credit mechanism and performance of SACCOs having a strong positive correlation coefficient of 0.632. This strong positive correlation was also statistically significant as the p-value was less than 0.001 which is lower than the recommended 0.05 level. The results also show that the correlation is also statistically significant at the 0.01 level.

Table 11: Pearson's Correlations for Performance of SACCOs and Credit Mechanisms

		Credit Mechanisms	Performance of SACCOs
Credit Mechanisms	Pearson Correlation	1	.632**
	Sig. (2-tailed)		<.001
	N	74	74
Performance of SACCOs	Pearson Correlation	.632**	1
	Sig. (2-tailed)	<.001	
	N	74	74

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

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4.3.3 Regression Analysis for Credit Mechanisms and Performance of SACCOs

The coefficient of determination shows how the variance of the dependent variable is uniquely described by the independent variable. As shown in Table 12, the results show an R^2 value of 0.399. This demonstrates that 39.9% of the variability of the performance of SACCOs is explained by credit mechanisms.

Table 12: Regression Model Summary for Credit Mechanisms and Performance of SACCOs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.632[a]	.399	.391	.59026

a. Predictors: (Constant), Credit Mechanisms

ANOVA as a measure of the influence that the independent variable on the dependent variable is summarized in Table 13. The results show that the F-Calculate value was found to be 47.885 which was higher than the F-Critical value of 3.97. This can be seen by observing the value of significance *p* which was found to be (0.001) which is less than alpha (0.05). We can summarize these findings as $F(1,73) = 47.885$, $p < 0.05$. This implies that there is significant variance between the independent variable (Credit mechanisms) and the dependent variable (Performance of SACCOs)

Table 13: Analysis of Variance for **Credit Mechanisms and Performance of SACCOs**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.683	1	16.683	47.885	<.001[b]
	Residual	25.085	72	.348		
	Total	41.769	73			

a. Dependent Variable: Performance of SACCOs

b. Predictors: (Constant), Credit Mechanism

The influence of the independent variable (credit mechanism) and the dependent variable (performance of SACCOs) is described by a regression coefficient, which provides estimates of the unknown population characteristics. In this study, the findings indicate that credit mechanisms influence the performance of SACCOs.

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Table 14: Regression Coefficients for Credit Mechanisms and Performance of SACCOs

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound
1	(Constant)	1.741	.343		5.079	<.001	1.058	2.424
	Credit Mechanisms	.569	.082	.632	6.920	<.001	.405	.733

a. Independent Variable: Credit mechanisms
b. Dependent Variable – Performance of SACCOs

4.4 Discussion

5.4.1 Effect of Income Level and Performance of SACCOs

The study sought to find out how respondents perceived the relationship between income level and Sacco performance in Nairobi County. Numerous descriptive statistics, such as the frequency distributions, means, and standard deviations of the numerous outcomes and statements were cited. The respondents' differing opinions on the various claims regarding the impact of income level on Sacco's performance led to the frequency distributions. On the question regarding whether the SACCO provides beneficial loan products for its members, more than half of the respondents that is 83.3% agreed and strongly agreed. 10.0% of the respondents remained neutral while 6.7% strongly disagreed. When asked if the organizations' benefits and perks are competitive compared to other organizations, 33.3% and 40.0% in totality agreed, and 13.3% of the respondents neither agreed nor disagreed. 6.7% and 6.7% disagreed and strongly disagreed respectively.

On whether the organization communicates its financial status to its members often, 1.7% and 13.3% in totality disagreed. 8.3% remained neutral and 41.7 and 35.0% agreed and strongly agreed respectively. Finally, when asked whether, Overall, I am satisfied with the financial services provided by the SACCO, 3.4% disagreed in totality. 11.7% remained neutral and 36.7 and 48.3% agreed and strongly agreed respectively.

The study looked at respondents' average perceptions of how income level affected Sacco's performance. The income level matrix's mean scores for the various statements were produced. The standard deviations of the response distribution around the mean, which indicate the degree of agreement on each statement, were also analyzed. When the mean scores fell between 3.0 and 3.49, there was a strong propensity to disagree, and when the mean scores fell between 3.50 and 4.50, there was a tendency to agree. There was disagreement when interpreting standard deviations of one or more, moderate agreement when interpreting standard deviations

between 0.50 and 0.99, and high agreement when interpreting standard deviations between 0 and 0.49. The mean scores and standard deviations were 3.70 and 1.094 for the Sacco has helped improve my income level, 4.30 and 1.109 for the SACCO provides beneficial loan products for its members, 4.28 and 0.865 for Overall, I am satisfied with the financial services provided by the SACCO, 3.93 and 1.191 for the organizations benefit and perks are competitive compared to other organizations. Finally, 3.95 and 1.064 for the organization communicates its financial status to its members often.

Among respondents with four income matrix assertions, there was no unanimity in the context of consensus. A moderate consensus (standard deviation between 0 and 0.99) was seen among the respondents regarding their satisfaction level with the financial services offered by SACCO. These results were consistent with those of (Karoki S, 2022), who evaluated the impact of management techniques of savings and credit co-ops on members' savings levels in Nyeri County.

As observed by Keynes (1936) absolute income is considered important in influencing savings and savings would increase with absolute income (disposable income) and other factors being constant, thus the term absolute income hypothesis. The Absolute Income Hypothesis postulates that the current level of income determines savings. Early studies on savings were built mainly on the Absolute Income Theory. The underlying premise of Keynes‟ hypothesis is his postulation of a consumption function in which consumption increases at a decreasing rate as income increases (Mensah, 2018). Savings fundamentally are tied in with picking either present or future utilization.

Reserve funds hypotheses as a rule figure that current utilization is associated not with introducing pay, but rather with a more extended-term gauge of pay. The life-cycle speculation (Modigliani, 1966) estimates that people hold their spending consistent over their lifetime; they save during their functioning years and attract down their reserve funds retirement. The long-lasting pay speculation (Friedman, 1957) demonstrates that spending is relative to a customer's gauge of enduring pay. These speculations of reserve funds were made in light of created nations. Deaton (1989) demonstrates four justifications for why these two hypotheses may be of fragmented use in creating economies. To begin with, families in non-industrial countries are bigger than in evolved countries and are more likely to have a few ages. Accordingly, there is less need to put something aside for intergenerational moves or retirement (Jacob Donkor, 2013).

4.4.2 Effect of Interest Rate and Performance of SACCOs

The purpose of the study was to find out how much the respondents knew about how interest rate decisions affected Sacco's performance in Nairobi County. Numerous descriptive statistics, such as the frequency distributions, means, and standard deviations of the numerous findings were provided. The results show that 90% of respondents expressed overall greed when asked if the company informs clients about the current interest rate on its goods and services. 3.3% disagreed, while 6.7% stayed indifferent.

Respondents’ views on the Organisation providing satisfactory interest rates on savings and deposits, 3.4% disagreed totally, 10.0% neither agreed nor disagreed and 53.3% and 33.3% agreed and strongly agreed respectively. On whether my Organisation has altered financial behavior in response to changes in interest rate, 11.7% and 6.7% strongly disagreed and disagreed respectively. 23.3% remained neutral, and 58.3% in totality agreed that organizations alter financial behaviour to changes in interest rates. When asked with regards to whether the Organisation has various interest rate structures that are preferable, 50.0% and 36.7% agreed

and strongly agreed respectively. 8.3% maintained the neutrality status while 3.3% and 1.7% disagreed in totality. Finally, when asked whether the organization speaks out about Changes in interest rates to its clientele, 1.7% and 5.0% strongly disagreed and disagreed, 10.0 neither agreed nor disagreed, and 38.3% and 45.0% in totality agreed.

The study assessed respondents' average perceptions of how interest rate decisions affect SACCO performance. The interest rate matrix's mean scores for the various statements were produced in this regard. We also looked at the standard deviations that indicate the degree of agreement on a particular assertion. The average respondents' assessment of how interest rate decisions affect Sacco's performance was also assessed in the survey. The interest rate matrix mean scores for the various propositions were generated. The distribution of the responses around the mean was examined using the standard deviations that represent the level of agreement on each statement. There was a substantial tendency to disagree when the mean scores fell between 3.0 and 3.49, and a tendency to agree when the mean scores fell between 3.50 and 4.50.

In the context of consensus, there was no consensus (standard deviations above 1) amongst respondents with one statement of the interest rate matrix. There was moderate consensus amongst respondents (standard deviation between 0 and 0.99) with four statements of the interest rate matrix. These findings agreed with the study by Karoki (2022), which sought to assess the influence of savings and credit co-operative societies' management practices and savings level among members in Nyeri County These results were consistent with those of (Karoki, 2022), who evaluated the impact of management techniques of savings and credit co-ops on members' savings levels in Nyeri County. The objectives of the study were to determine the influence of income level reviews on the level of savings, to find the influence of innovative savings products development on the level of savings, to examine the influence of interest rate decisions on the level of savings, and to determine the influence of credit availability disbursement on the level of savings. The study concluded that there was a positive significant relationship between income level reviews, savings product development, Interest rate decisions, credit availability disbursement, and member's savings level in the SACCOs. The study recommended that short-term promotional incentives may be one strategy to encourage people to save more, although evidence of their effectiveness is limited. The study recommends SASRA to accommodate the total savings and deposits when ranking the performance of deposit-taking Saccos other than considering only the total assets parameter.

4.4.3 Effect of Credit Mechanisms and Performance of SACCOs

The purpose of the study was to ascertain how aware the respondents were of how the credit mechanism affected Sacco's performance in Nairobi County. When asked whether the Organization's credit application requirements and documentation are clear and understandable, 1.7% of the respondents strongly disagreed. 3.3% disagreed, 6.7% remained neutral and 35.0% and 53.3% agreed in totality. Responses regarding whether the Organization's credit approval decisions are transparent, 91.6% of the respondents holistically agreed, 1.7% remained neutral and 6.6% disagreed fully. On whether our organization's credit terms and interest rates are fair and competitive. 85.0% of the respondents agreed and strongly agreed respectively, 11.7% neither agreed nor disagreed and 3.3% strongly disagreed. About the Organization's customer support team being responsive in addressing credit-related inquiries, 6.7% strongly disagreed, 8.3% were neutral, 46.7 and 38.3% agreed in totality.

The study sought the average perception of the respondents on the effect of credit mechanisms on SACCO performance. In this regard, the mean scores for the different statements on the

credit mechanism matrix were generated. The standard deviations showing the level of consensus on a given statement were also examined. The respondents on average tended to agree with all statements in credit mechanism matrix.

The researcher likewise surveyed the normal view of the respondents on the impact of credit instruments on Sacco's execution. The mean scores for the various assertions using a loan component network were produced. The circulation of the reactions around the mean was additionally assessed with the standard deviations showing the degree of settlement on every explanation. The mean scores were deciphered areas of strength for as to differ for mean scores somewhere in the range of 3.49 and 3.99 and propensity to concur for mean scores of somewhere in the range of 4.0 and 4.50. The standard deviations were deciphered and there was no agreement for standard deviations of 1 or more, moderate and high agreement for standard deviations somewhere in the range of 0 and 0.99.

The findings of this study agreed with those of (Sing'ombe, 2022), who assessed Credit Management Practices and Financial performance of Deposit taking Saccos in Kericho County, Kenya. The researcher aimed to determine the relationship between Sacco's financial results and credit risk management, credit policy, credit collection techniques, and credit recovery tactics. This was done against rising cases of non-performing loans among the deposit-taking Sacco's which recorded a non-performing ratio of 11.42 percent in 2017, the ratio is above the recommended rate of 5 percent. Credit collection practices were found to highly influence financial performance while credit recovery strategies influenced financial performance of deposit-taking Sacco's to a lesser extent. The study recommends that the managers of Sacco should implement and apply credit management practices and policies to enhance their financial performance. The study also recommends that Sacco regulator should formulate policies and guidelines on credit management practices to improve financial performance.

Credit mechanisms as the techniques one purpose to gather and control credit installments from clients. As noted by Myers and Berkley (2013) these practices as the procedures that associations use to have a satisfactory degree of credit and to deal with this level. A piece of financial management contains the examination of credit, rating of credit, characterization, and detailing of credit. At the point when credit to the executives is done well, then, at that point, the capital with debt holders diminishes and the chance of terrible obligations is additionally decreased. Similarly, Edwards (2013) contends that that if you are a business, and you have excluded into your selling value any expenses related to late installment or you have an approach to recuperating the expenses by charging an interest, then your benefits will undoubtedly be impacted by such expenses. A few firms are enticed to give credit when they consider the chance of expanded business tasks. Nonetheless, organizations must be sure that there will be additional income from the high deals that will offset the expense of credit to keep away from misfortunes (Kipkirui Edwin, 2018).

5.0 Conclusion

5.1 Income Level and Performance of SACCOs

The results show that there existed a statistically significant and positive linear association between income level and performance of the selected SACCOs in Nairobi County, while regression analysis had minimal adjustment for the number of predictors in the model. The results show that while income level does explain some of the variability in the performance of SACCOs, the relatively low R-square value suggests that other factors besides income level play a role in explaining variations in the performance of SACCOs. This is an indication that there exists a positive relationship between income levels performance of SACCOs. This is

because, with high incomes, savings in various forms including SACCOs deposits are expected to increase. This in the process directly influences liquidity of the SACCOs which enhances their ability to extend credit facilities and hence performance. This is also because SACCOs mainly mobilize funds from their members through monthly deposits which are used to grant credit to other members for their individual development.

5.2 Interest Rate and Performance of SACCOs

The study outcome showed that interest rates significantly influence the performances of SACCOs. This is because, with high interest, SACCOs can get more income which will be made available to potential borrowers. This is the process that increases revenue and hence the overall performance of the SACCOs. It was important to note that higher interest rates have boosted financial institutions including SACCOs thereby resulting in higher net interest margins and enhanced profitability. In the process, lenders benefit from a widening of the spread between the interest they pay to depositors, and the income they reap on lending.

5.3 Credit Mechanism and Performance of SACCOs

The study has established that credit mechanisms positively and significantly affect the performance of SACCOs. This relates to the handling of planning, supervision, examining and management of loans and advances, supervision and management related to non-performing loans, and collection, surveying, and editing of data related to the loan business. Thus the practice of mitigating losses by assessing borrowers' credit risk – including payment behavior and affordability is critical.

6.0 Recommendations

6.1 Income Level and Performance of SACCOs

In regard to income level, the study recommends that the SACCOs should ensure that target mechanisms should be put in place to attract members with diverse incomes. This partly entails attracting members from different occupations. In the process, this will allow a more thorough analysis of how income variations affect SACCO's performance. Also, SACCOs should strive to create public awareness of the importance of savings for future use. In the end, this is expected to mobilize savings which depends directly on the income. As such the overall performance of the SACCOs is guaranteed.

6.2 Interest Rate and Performance of SACCOs

In the context of interest rate decisions, SACCOs should establish clear policies and procedures for managing interest rate risk within the SACCOs. This requires putting in place necessary guidelines for the appropriate adjustment of interest rates in response to changes in market conditions. Effective interest rate risk management mechanisms are expected to assist the SACCOs in mitigating potential adverse effects on SACCOs' performance and financial stability. Consequently, the improved performance of the SACCOs is expected to be realized.

6.3 Credit Mechanisms and Performance of SACCOs

In the purview of credit mechanisms, SACCOs should ensure compliance with regulatory requirements governing credit operations. Some of these mechanisms include but are not limited to loan documentation, interest rate disclosure, and consumer protection measures. Adhering to regulations promotes transparency, fairness, and trust among regulatory authorities contributing to SACCO's credibility and reputation. Like in the case of interest rate and income levels, this is expected to contribute positively towards the performance of the SACCOs.

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