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Effect of Credit on the Financial Performance of Saccos in Kilifi County

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Abstract

The purpose of the study was to determine the effect of credit on the financial performance of SACCOs in Kilifi County. The study employed a descriptive research design to gather information on the credit factors that affect the performance of SACCOs in Kilifi County. The target population of this study was 174 active registered SACCOS in Kilifi County. The target population typically comprises all individuals or units that meet the study's criteria. The study sample comprised 122 savings and credit cooperative societies, selected from the total SACCO population in Kilifi County. Data was collected using primary techniques. The questionnaires were also posted on Google Forms and sent to respondents, who could complete them directly from their phones and personal computers. At the advanced level, multiple regression analysis was used to examine the relationship between the independent variable (credit) and the dependent variable (financial performance). The study found that credit had a statistically significant impact on the financial performance of Savings and Credit Cooperative Organizations (SACCOs) ($t = 3.789$, $p = 0.000$, < 0.05). Consequently, the present analysis rejects the null hypothesis, thereby establishing that credit has a substantial impact on the financial performance of SACCOs in Kilifi County, Kenya. The study results indicate that the financial performance of SACCOs in Kilifi County is significantly influenced by credit. The strong correlation between credit and financial performance suggests that as credit access increases, SACCOs' financial performance improves. Practitioners in the microfinance sector should focus on collaboration and knowledge sharing. Working together with policymakers, regulators, and other microfinance institutions can lead to more effective and efficient microfinance services. Practitioners should also incorporate social performance measurement metrics into their operations to assess the impact of their services on members' well-being. Responsible lending practices are highly recommended to prevent over-indebtedness among members and promote a sustainable lending portfolio. Practitioners should ensure that credit is extended to individuals who can reasonably afford it, avoiding the negative consequences of excessive debt.

Keywords: *credit, financial performance, SACCOs*

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1. Introduction

In Kenya, cooperatives emerged among the settler population in the early 1900s to strengthen agricultural production and manage the sale of farm produce (Shilimi, 2021). However, the first savings and credit cooperative society emerged in 1964 under the Catholic Church's stewardship in Murang'a (Ototo, 2018). Thereafter, two SACCOs mushroomed in Nairobi and Mombasa, respectively, setting the pace for the development of the cooperatives as a critical player in the country's financial market. The success of SACCOs at this point, however, was hindered by members' lack of commitment, as many defaulted on contributions and loan repayments (Ototo, 2018). In response, the government institutionalized the check-off system, where SACCO membership was limited to employees on the payroll. Under the new system, monthly payments and loan deductions were made directly from members' salaries, reviving savings and credit cooperatives (Ototo, 2018).

By 2010, SACCOs in Kenya had exceeded 6,000, accounting for more than half of cooperatives in Kenya and holding a 90% market share in microfinance (Ototo, 2018). In 2016, the number of active SACCOs had declined to approximately 5,000, with 3% of cooperatives located in rural areas (Salaton et al., 2020). Still, SACCOs account for approximately 30% of the national credit average and contribute nearly half of the country's GDP. These numbers are attributable to the strong appeal of SACCOs across all population groups, as they provide financing and capital accumulation options under favorable conditions (Ototo, 2018).

According to the Nationwide Cooperative Sector Survey conducted by the State Department of Cooperatives, the number of cooperatives registered with the department as at 31st December 2018 was 23,275. 8,814 were active, 7,723 were dormant, and 117 had been cancelled. SACCOs constitute more than 5,000 of the total co-operative societies registered with the state department for co-operatives. The objective of the survey was to establish the economic and socio-cultural contributions of co-operatives to the Kenyan economy, and to assess governance and management practices of the co-operative sector. The SACCO movement in Kenya is widely recognized as the largest in Africa and is ranked among the top 10 globally (Ismail, 2020). In the year 2021, the subsector successfully raised domestic savings amounting to Kshs. 564.8 billion, an increase of 9.8% compared with the previous year's figure. 514.4 billion. They have an asset base of over KShs. 807 billion by the end of 2021 as compared to sh.734 billion recorded in 2020, implying a 9.93 per cent growth. SACCOs have emerged as a crucial element in Kenya's economic and social development (Njoroge, 2022).

Based on data from the Kilifi County Integrated Development Plan 2018-2022 (CGK, 2020), the county has a total of 174 savings and cooperative societies distributed amongst Kilifi North (35), Kilifi South (25), Malindi (59), Kaloleni (17), Magarini (15), Ganze (8), and Rabai (15) sub-counties. The SACCOs provide microfinance services to registered members and have benefited low-income members whose economic circumstances deter them from accessing credit from conventional financial institutions (Yitayaw, 2021). This study aimed to evaluate the impact of credit on the financial performance of Savings and Credit Cooperative Organizations (SACCOs) in Kilifi County.

1.1 Problem Statement

In Kilifi and Kenya more generally, SACCOs offering microfinance services have existed for decades but have seldom grown to match other financial institutions, such as banks (Shibutse et al., 2019). SACCOs that have demonstrated positive financial performance are few, and even

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these have shown inconsistent performance indicators over the years (Shibutse et al., 2019). However, very few studies have examined the role of microfinance services in SACCO performance in the county. Past studies have attributed SACCOs' poor financial performance in Kilifi County to weak credit risk management practices. Successful credit risk management is a key indicator of a SACCO's effectiveness in managing loan repayment, thereby reducing the risk of default. Similarly, maintaining a sound balance has been cited as both fundamental to and indicative of good financial performance for SACCOs (Shibutse et al., 2019). Past studies have sought to assess the factors affecting the performance of SACCOs in Killifi County. For instance, the study by Kahindi (2020) on the factors affecting the financial growth of SACCOs in Kilifi County found that loan defaulting, membership size, dividend policy, and operating costs influenced the financial growth. Another study by Ahmed and Rugami (2019) examined factors beyond microfinance services. The study aimed to examine the impact of board composition, the number of qualified board members, and gender balance on the performance of SACCOs in Kilifi County. All the factors were found to influence performance (Ahmed & Rugami, 2019). The two studies did not examine the effect of microfinance services on SACCO performance. This is despite the critical role of these services in maintaining profitability, maintaining clean credit scores, and ensuring adequate operating capital. This study aims to evaluate the impact of credit on the financial performance of SACCOs in Kilifi County.

1.2 Research Hypothesis

H_0: Credit has no significant effect on the financial performance of SACCOs in Kilifi County.

2. Literature Review

2.1 Theoretical Review

Transformational learning theory is premised on adult and young-adult learning, in which individuals acquire new ideas and perspectives. Ideally, this occurs when adults adopt unlearning and relearning approaches, reflect on their prior understanding of phenomena, and take a fresh look at them, thereby developing critical thinking skills. Jack Mezirow, the proponent of transformational learning theory, founded his assumption after studying adult women, which led him to theorize that adults rarely apply their previous understanding to new situations. However, they recognize the need to view ideologies from a unique perspective to acquire new knowledge of changing conditions (Mezirow, 2008). Mezirow proposes that transformational learning occurs in a ten-stage sequence. The sequence entails: Encountering a perplexing situation, engaging in introspection, evaluating internalized assumptions, experiencing a sense of detachment from societal norms, connecting discontentment to analogous occurrences, seeking communal support, investigating alternative approaches, cultivating competence and self-assurance in novel roles, devising a strategic plan, acquiring knowledge, wisdom, comprehension, and proficiency in implementing innovative strategies, experimenting with diverse tasks, and reintegrating into society with an alternative perspective (Johnson & Olanoff, 2020).

Transformational learning theory has been used interchangeably with Transformative Learning (TL) to outline the key attributes of the approach discussed by Mezirow. The theory works phenomenally in corporate settings for clientele and professionals. They are involved in learning experiences that are stimulating and encouraging, and that focus on their overall development (Johnson & Olanoff, 2020). Ideally, the learning phase encompasses robust training for members, who are encouraged to adopt new strategies as they strive to effect meaningful change, with a focus on sustainability, unlearning, and relearning. It is worth noting that staff capacity assessment is integral to enhancing productivity and aligning perspectives with the evolving market landscape, particularly in the financial sector.

Training the staff concerning credit risk management, investment, and asset management could play a vital role in achieving sustainability in SACCOs. Credit risk management is closely related to modern finance theory, as articulated by Markowitz (1952), which highlights the trade-off between risk and return: greater risk entails higher expected returns. Interestingly, investors require assurance that their investment is safe and secure and will yield benefits at maturity. A survey of credit risk management practices among SACCOs in Nairobi revealed that most financial institutions employ such practices to mitigate risks associated with extending credit to their customers. This has been observed among 28 of 31 SACCOs, who report that credit risk management practices have positively affected their organizations, primarily by enhancing operational efficiency (Ondu, 2020). In addition, the research findings indicate that advancing risk awareness in the workplace requires regular staff training and the institutionalization of ongoing supervision. Lastly, the asset management system in SACCOs enables staff to monitor credit risk at the portfolio level. The asset-by-asset approach is one way a company can monitor its assets through a quantitative portfolio review.

2.2 Conceptual Framework

Figure 1 presents the conceptual framework.

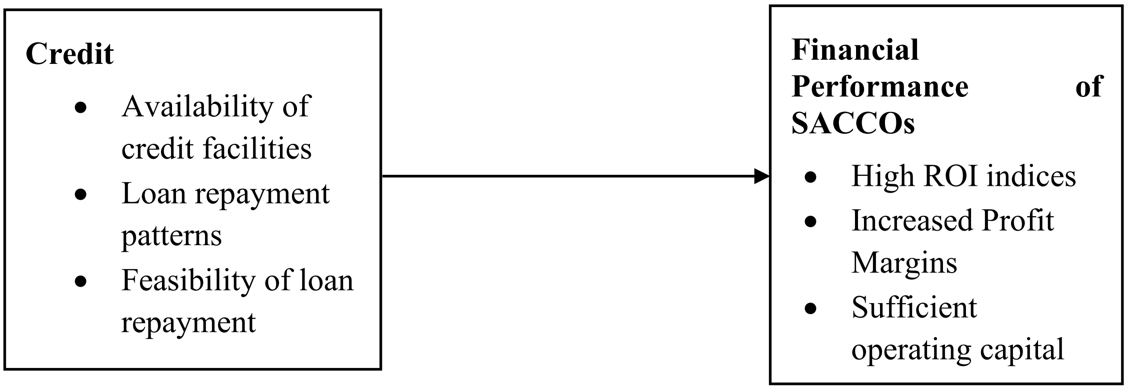

Figure 1: Conceptual Framework

2.3 Empirical Review

The driving force behind the establishment of SACCOs since the 1800s has been the creation of a financial pool from which individuals can obtain capital to sustain themselves (Maina & Jagongo, 2022). Thus, savings and credit cooperative societies are built on microfinance services. SACCOs have often been associated with times of crisis, with Allen and Maghimbi (2020) asserting that SACCOs serve as mitigation agents for communities during financial crises and as enablers of sustainable environments. SACCOs have provided a suitable financial intermediation model for communities in the developing world, offering microfinance services while safeguarding beneficiaries' assets. SACCOs have the primary role of providing savings and credit services to all members of society, their financial and social status notwithstanding (De et al., 2019).

Furthermore, SACCOs operate under democratic governance and, beyond profitability, provide financial pools through which members can develop socially, economically, and structurally (De et al., 2019). In this sense, SACCOs primarily serve members' financial interests by providing credit at favorable interest rates and with low risk, offering members a sustainable platform to save money, and developing communities' self-sustaining capacity. Notably, SACCOs generate income from credit services, specifically interest on loans (Maosa, 2020). This means that, despite being the driving force behind SACCOs, credit provision and management are critical to the cooperatives' survival. However, credit risk management has been elusive for SACCOs in Kenya and Kilifi County as well, exposing the cooperatives to financial peril in the form of defaulted payments and ultimately, inadequate liquidity. SACCOs develop tailored credit management schemes to counter such malpractices and improve financial performance.

In her study on the financial performance of deposit-taking SACCOs in Kenya, Karkia (2016) examines the impact of credit risk management techniques on the cooperatives' financial outcomes. The study emphasizes the significance of credit and credit risk management in determining the financial success of these organizations. However, the study does not view credit positively as a source of working capital for SACCOs. This study examines credit as a source of working capital for SACCOs and assesses whether it affects their financial performance.

3. Methodology

The study employed a descriptive research design to gather data on factors affecting the performance of SACCOs in Kilifi County. The target population of this study was 174 active registered SACCOS in Kilifi County. The target population typically comprises all individuals or units that meet the study's criteria. The study sample comprised 122 savings and credit cooperative societies, selected from the total SACCO population in Kilifi County. The Slovin formula was employed to determine the sample size due to its accuracy and simplicity when population characteristics are unknown (Rono, 2018).

Data was collected using primary techniques. The researcher used semi-structured questionnaires administered to managers, finance officers, or accountants at each of the 122 SACCOS in the sample. The questionnaires were printed and distributed to respondents at the selected SACCOs across the seven sub-counties. The questionnaires were also posted on Google Forms and sent to respondents, who could complete them directly from their phones and personal computers. The researcher received the questionnaire responses in real time immediately after the respondents completed and submitted them. To strengthen criterion and construct validity, a pilot study involving 7 SACCOs was conducted to further refine the data collection tool. Lastly, the data were collected by experienced research assistants who had been pre-trained and were regularly monitored. Data collected from the research tools were coded, entered, and analyzed using Statistical Package for the Social Sciences (SPSS). The results at the basic level were then presented in charts, tables, and explanations of major thematic areas. At the advanced level, multiple regression analysis was used to examine the relationship between the independent variable (credit) and the dependent variable (financial performance).

4. Results and Discussion

4.1 Findings for Credit

4.1.1 Members in the Sacco, Status of the Sacco, SASRA Regulation, and Offering Credit Facilities

The study sought to determine SACCO membership, their status, compliance with SASRA regulations, and whether SACCOs offer credit facilities. The frequencies and percentages of the responses were tabulated in Table 1.

Table 1: Members in the Sacco, Status of the Sacco, SASRA regulation, and Offering Credit Facilities

Members in the SACCO	Frequency	Percent
Less than 25 members	18	19.1
25-50 members	35	37.2
Over 50 members	41	43.7
Total	94	100
Status of the Sacco	**Frequency**	**Percent**
Active	68	72.3
Dormant	26	27.7
Total	94	100
SASRA Regulation	**Frequency**	**Percent**
Yes	4	4.3
No	90	95.7
Total	94	100
Credit facilities	**Frequency**	**Percent**
Yes	68	72.3
No	26	27.7
Total	94	100

The data collected showed that, of the 94 SACCOs surveyed, 18 had fewer than 25 members, representing 19.1% of the sample. 35 SACCOs had 25 to 50 members, accounting for 37.2% of the sample. The majority of SACCOs (41; 43.7% of the sample) had more than 50 members.

Another crucial factor examined was the status of the SACCOs. The study found that 68 SACCOs were active, constituting 72.3% of the total sample. On the other hand, 26 SACCOs were dormant, making up 27.7% of the sample. This information sheds light on the current operational status of the SACCOs in Kilifi County.

Furthermore, the study investigated whether the SACCOs were regulated by SASRA (Sacco Societies Regulatory Authority). Of the 94 SACCOs surveyed, only 4 were regulated by SASRA, representing 4.3% of the sample. The vast majority (90 SACCOs; 95.7% of the sample) were not regulated by SASRA. This finding suggests that most SACCOs in Kilifi County may not be subject to regulatory oversight by the authority.

Lastly, the researchers explored whether the SACCOs offered credit facilities to their members. The data revealed that 68 SACCOs provided credit facilities, representing 72.3% of the sample. On the other hand, 26 SACCOs did not offer credit facilities, constituting 27.7% of the sample.

This information highlights the availability and accessibility of credit services for SACCO members in the region.

The table presents valuable insights into the characteristics and operational aspects of SACCOs in Kilifi County. Understanding these factors is crucial for assessing the effects of microfinance services on SACCOs' financial performance and their ability to meet members' financial needs.

4.1.2 Qualifications for a Loan and Interest rate of credit facilities

The respondents were asked how long it takes to qualify for a loan at the Saccos and the interest rates charged by the Saccos. The frequency and percentage of the responses were tabulated

Table 2: Qualifications for a Loan and Interest rate of credit facilities

Credit facilities (Loan)	Frequency	Percent
Less than 1 Year	56	82.4
1-2 years	12	17.6
Total	68	100
Interest Rate	**Frequency**	**Percent**
1%-5%	20	29.4
6%-10%	29	42.6
11%-15%	14	20.6
16%-20%	5	7.4
Total	68	100

Regarding the qualifications for a loan, the data revealed that the majority of respondents (82.4%) reported that it takes less than 1 year to qualify for a loan from the SACCOs. On the other hand, a smaller percentage of respondents (17.6%) reported that it takes 1-2 years to qualify for a loan. This finding indicates that a significant proportion of SACCO members can access credit facilities relatively quickly, which may positively affect their financial performance.

When examining the interest rates of credit facilities offered by SACCOs, the data showed a distribution across rate brackets. The largest share of respondents (42.6%) reported that interest rates fell between 6% and 10%. The next significant proportion (29.4%) reported interest rates of 1% to 5%. Additionally, 20.6% of respondents mentioned interest rates between 11% to 15%, while a smaller percentage (7.4%) indicated higher interest rates of 16% to 20%.

The analysis of these data points suggests that a considerable number of SACCOs provide credit facilities at relatively moderate interest rates, ranging from 1% to 10%. This could be viewed positively, as it makes credit more accessible and affordable for members, potentially enhancing financial performance and empowering borrowers to invest in income-generating activities or meet their financial needs.

Understanding the loan eligibility criteria and interest rates charged by SACCOs is crucial for assessing the impact of microfinance services on the financial performance of these co-operative societies. The availability of credit and favorable interest rates plays a significant role in determining the success and sustainability of SACCOs and their ability to contribute to economic growth and the financial well-being of their members in Kilifi County.

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4.1.3 Loans Disbursed, Faithfulness of, Loan Repayment, Default Incidences, Frequency of Default Incidences

The frequency and percentage are presented in Table 3.

Table 3: Loans Disbursed, Faithfulness of Loan Repayment, Default Incidences, Frequency of Default Incidences

Loans Disbursed	Frequency	Percent
None	26	27.7
1-10	5	7.4
11-20	15	15.9
Above 20	48	51.0
Total	94	100
Loan Repayment	**Frequency**	**Percent**
Very Faithfully	45	47.8
Somewhat Faithfully	14	14.8
Neutral	4	4.3
Somewhat Unfaithfully	5	7.4
Very Unfaithfully	26	27.7
Total	94	100
Default Incidences	**Frequency**	**Percent**
Yes	75	79.8
No	19	20.2
Total	94	100
Frequency of Default	**Frequency**	**Percent**
Very Frequent	26	**27.7**
Frequent	14	**14.8**
Moderate	14	**14.8**
Rare	25	**26.7**
Very Rare	15	**16.00**
Total	94	**100**

Regarding loans disbursed by SACCOs, the data revealed that a significant proportion of respondents (51.0%) reported disbursing more than 20 loans. This indicates that a considerable number of members have accessed credit facilities multiple times from the SACCOs, potentially reflecting the accessibility and availability of microfinance services to support their financial needs and activities.

When assessing the faithfulness of loan repayment, the majority of respondents (47.8%) reported repaying their loans very faithfully, whereas a smaller percentage (14.8%) reported repaying somewhat faithfully. However, a notable proportion (27.7%) are reported to be repaying their loans in a highly unfaithful manner, raising concerns about the financial performance of the SACCOs.

Furthermore, the data on default incidences indicated that a significant number of respondents (79.8%) reported experiencing loan defaults. This suggests that a considerable portion of SACCO members struggled to meet their loan repayment obligations, which could have implications for the financial stability and sustainability of SACCOs.

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Journal of Finance and Accounting
Vol. 6||Issue 1||pp 43-56||February||2026
Email: info@edinburgjournals.org||ISSN: 2789-0201

Analysis of default incidence frequency showed that default occurrences varied across SACCOs. A significant proportion (27.7%) reported widespread loan defaults, whereas others reported frequent (14.8%), moderate (14.8%), rare (26.7%), or sporadic (16.0%) defaults.

The analysis of these data points indicates that, while many members have accessed multiple loans from SACCOs, there is a need to address loan repayment challenges and default incidence. Encouragingly, a substantial number of SACCOs reported that their members are repaying their loans faithfully; however, the persistence of significant default rates underscores the need to implement effective credit management strategies and financial literacy programs.

Understanding loan disbursements, repayment performance, and the prevalence of default is essential for evaluating the impact of microfinance services on SACCOs' financial performance in Kilifi County. Addressing challenges of loan default and promoting responsible loan repayment behavior can contribute to the financial sustainability and success of these co-operative societies in the region.

4.2 Findings for SACCO Financial Performance

4.2.1 Sacco Profitability, Difficulty in financing operations, financial Investments, and description of financial investments made

The frequencies and percentages for the responses were tabulated in Table 4.

Table 4: Sacco Profitability, Difficulty in financing operations, financial Investments, and description of financial investments made

Sacco Profitability	**Frequency**	**Percent**
The SACCO has not made any profits	34	36.1
The SACCO has made some profit	40	42.6
The SACCO has made a lot of profit	20	21.3
Total	94	100
Difficulties in Financing Operations	**Frequency**	**Percent**
Yes	92	97.9
No	2	2.1
Total	94	100
Financing Investments	**Frequency**	**Percent**
Yes	55	58.5
No	39	41.5
Total	94	100
Description of Investment Made	**Frequency**	**Percent**
Investment in property	42	44.7
Investment in a short-term income generation activity	25	26.6
Investment in long-term income generation activity	6	6.4
Investment in stocks, bonds, or mutual funds	2	2.1
Investment in capacity building for staff or members	19	20.2
Total	**94**	100

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Journal of Finance and Accounting
Vol. 6||Issue 1||pp 43-56||February||2026
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Regarding profitability, the majority of respondents (42.6%) reported that the SACCO has made some profit, while 21.3% indicated that the SACCO has made substantial profit. However, a significant portion of respondents (36.1%) reported that the SACCO has not made any profit, indicating an area for improvement.

Regarding difficulties in financing operations, 97.9% of respondents reported such challenges. These difficulties may be attributed to insufficient funds to support the SACCO's operations, necessitating the use of overdraft facilities. Additionally, employee turnover can exacerbate these difficulties, as high turnover disrupts operations and undermines financial stability.

Regarding investment financing, 58.5% of respondents reported that the SACCO has engaged in such financing, whereas 41.5% indicated otherwise. The SACCO's investments were diverse. The majority of investments (44.7%) were directed to property, while 26.6% were allocated to short-term income-generating activities. A smaller share (6.4%) was allocated to long-term income-generation activities. Only a few respondents (2.1%) reported investing in stocks, bonds, or mutual funds, and 20.2% invested in capacity building for staff or members.

The data highlight the SACCO's mixed financial performance, with a significant proportion of respondents reporting challenges in financing operations. However, SACCOs have made efforts in financing investments, with a focus on property and income-generating activities. Difficulties in financing operations, particularly inadequate funding and employee turnover, may affect the SACCO's financial stability and overall performance. Efforts to address these challenges and optimize investments may improve the SACCO's financial performance in the future.

4.2.2 Opinions on Financial Performance

Participants were asked to provide their perspectives on the financial performance of their SACCOs. The frequencies and percentages of the responses were tabulated as shown in Table 5.

Table 5: Opinions on Financial Performance

Financial performance	Frequency	Percent
Very Good	20	21.3
Good	40	42.6
Neutral	8	8.5
Bad	24	25.5
Very Bad	2	2.1
Total	94	100

The findings reveal a noteworthy proportion of respondents (42.6%) who hold a positive opinion about their SACCOs' financial performance, categorizing it as "Good." Moreover, 21.3% of respondents expressed a highly optimistic view, designating the financial performance as "Very Good." These results suggest that a significant proportion of respondents are satisfied with the SACCOs' financial performance. Conversely, 25.5% of respondents expressed a negative opinion, characterizing the financial performance as "Bad." A smaller proportion (8.5%) took a neutral stance, indicating neither optimism nor pessimism about the financial performance. The data show diverse perspectives on the financial health and performance of SACCOs among respondents. It is noteworthy that a small proportion (2.1%)

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Journal of Finance and Accounting
Vol. 6||Issue 1||pp 43-56||February||2026
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rated the financial performance as "Very Bad," underscoring the need for further investigation and attention in that area.

Opinions on financial performance appear relatively balanced, with a notable number of respondents expressing positive views, while others hold more critical or neutral perspectives. These varying viewpoints may arise from distinct experiences, expectations, and perceptions of the SACCOs' financial operations and services. Recognizing these diverse perspectives can yield valuable insights into areas for improvement and measures to enhance SACCOs' financial performance.

4.2.3 Indicators of SACCO performance

The respondents were given statements to comment on, which serve as indicators of SACCO performance and are presented in Table 6.

Table 6: Indicators of SACCO Performance

Indicators of Sacco Performance	Frequency	Percent
Increased profit margins	90	95.7
Sufficient operating capital	85	90.4
Rich income pool	92	97.9
High ROI indices	91	96.8
Efficient credit management	75	79.8

The respondents' opinions on SACCO performance indicators were gathered to assess their perspectives on the key factors contributing to the financial success of these cooperatives. Among the options provided, 90 respondents indicated that improved profit margins were a critical indicator. This suggests that profitability plays a pivotal role in determining the overall financial health of SACCOs in Kilifi County. Additionally, 85 respondents emphasized the importance of Sufficient operating capital, noting its role in enabling smooth day-to-day operations and providing diverse financial services to members.

Furthermore, 92 respondents emphasized the significance of a rich income pool. This indicates that diversifying income streams and ensuring a stable, diverse revenue base are crucial to the success of SACCOs. Likewise, 91 respondents identified high ROI as an essential indicator, emphasizing the importance of sound investments that yield positive returns and contribute to SACCOs' financial growth.

Lastly, 75 respondents identified Efficient credit management as a key performance indicator. This underscores the importance of managing loans effectively, minimizing the risk of defaults, and ensuring timely repayments, which ultimately contribute to the overall financial stability of SACCOs.

These identified indicators align with the study. The responses highlight the crucial roles of profitability, capital adequacy, diversified income sources, investment efficiency, and credit management in shaping the financial performance of SACCOs. Understanding and focusing on these indicators can improve financial outcomes for SACCOs in Kilifi County, thereby enhancing the impact and effectiveness of microfinance services in the region.

4.2.4 Effect of Training Credit and Savings on Financial Performance

Guided by the Likert Scale 1-5, where 1=Strongly Disagree, 2=Disagree Somewhat, 3=Neutral, 4= Agree Somewhat, and 5=Strongly Agree, the respondents were presented with various statements on the effect of credit on financial performance. The mean and SD of the responses were calculated and tabulated in Table 7.

Table 7: Effect of Credit on Financial Performance

Effect of Credit	N	Mean	Std. Deviation
Credit leads to improved financial performance	94	4.45	1.023

Similarly, the respondents generally agree (Mean = 4.45, Std. Deviation = 1.023) that Credit improves financial performance. This indicates that providing credit facilities to members is regarded as beneficial to SACCOs' financial success. The higher standard deviation indicates variability in responses, with some respondents expressing stronger agreement than others.

4.3 Coefficients of the Regression Model

The regression model's coefficients were derived from the analysis and are displayed in Table 8.

Table 8: Coefficients of the Regression Model

	Unstandardized Coefficients				Collinearity Statistics	
	B	Std. Error	t	Sig.	Tolerance	VIF
(Constant)	.113	.139	.812	.419		
Credit(**X**)	.176	.046	3.789	.000	.780	1.282

The regression equation is as shown below;

Y=113+0.176X

The analysis of the regression coefficients reveals valuable insights into the impact of each variable on the financial performance of the co-operative societies. The constant term (0.113) represents the expected financial performance when all factors are absent. The positive coefficient on X1 (0.176) indicates that an increase in the level of credit services is associated with improved financial performance for co-operative societies.

4.4 Tests of Hypothesis

The null hypothesis posited that there is no statistically significant impact of credit on the financial performance of SACCOs in Kilifi County. The study found that credit had a statistically significant impact on the financial performance of Savings and Credit Cooperative Organizations (SACCOs) ($t = 3.789$, $p = 0.000$, < 0.05). Consequently, the present analysis rejects the null hypothesis, thereby establishing that credit has a substantial impact on the financial performance of SACCOs in Kilifi County, Kenya.

5. Conclusion

The study results indicate that the financial performance of SACCOs in Kilifi County is significantly influenced by credit. The strong correlation between credit and financial performance suggests that as credit access increases, SACCOs' financial performance improves. This underscores the importance of providing SACCO members with easily accessible, well-structured loan products, as this can improve their financial security and support the co-operative societies' overall expansion and viability.

6. Recommendations

Practitioners in the microfinance sector should focus on collaboration and knowledge sharing. Working together with policymakers, regulators, and other microfinance institutions can lead to more effective and efficient microfinance services. Practitioners should also incorporate social performance measurement metrics into their operations to assess the impact of their services on members' well-being. Responsible lending practices are highly recommended to prevent over-indebtedness among members and promote a sustainable lending portfolio. Practitioners should ensure that credit is extended to individuals who can reasonably afford it, avoiding the negative consequences of excessive debt.

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